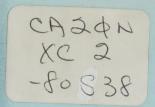


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PS-1 & 2 (1981)

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

PENSION PLANS
MANPOWER CONSULTATIVE SERVICE
AND UNEMPLOYMENT INSURANCE COMMISSION

TUESDAY, JANUARY 6, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
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Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Clerk: White, G.

Researchers: Eichmanis, J. Jennings, R.F.

Witnesses:

Morning sitting: From The Association of Canadian Pension Management: Hobson, E., President Vincent, A., Executive Director

Afternoon sitting:
From Employment and Immigration Canada:
Allison, N., Director, Manpower Consultative Service,
Ontario Region
Webster, R., Support Programs, System and Analysis,
Unemployment Insurance Commission



LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, JANUARY 6, 1981

The committee met at 10:18 a.m. in room 228.

PENSION PLANS

Mr. Chairman: I will call the meeting to order. This is our first meeting on the second phase of this select committee on plant shutdowns. Our interim report was tabled in the assembly on December 11. Everyone on the committee, of course, has copies of that report and all of our witnesses, including our first two quests this morning, have been provided with copies of this interim report.

Would the first two witnesses please come forward? Representing the Association of Canadian Pension Management are Mr. Ernest Hobson, president, and Miss Andrea Vincent, executive director. Andrea has been with the company since it was formed and I guess was part of the founding of the company. Welcome to the committee. I understand that you do have an opening statement and then will be available to answer questions from the committee. Would you begin at your leisure?

10:20 a.m.

Mr. Hobson: Thank you for giving us the opportunity to present our views on your recent amendments to the Pension Benefits Act.

I am Ernie Hobson of the Anglican Church pension fund and president of the association. With me is Andrea Vincent, executive director of the association. My remarks are going to be very brief and then we will be available to you for questions.

The Association of Canadian Pension Management represents pension plan sponsors predominantly in the private sector. ACPN was organized five years ago, its main purpose being to bring together individuals who were involved in the investment and benefit areas of pension funds.

Through our surveys and personal contact we find that within our membership there is little opposition to change. In fact most, if not all, would agree with a statement made recently by a chairman of Xerox that "In today's complex society you cannot make much progress by following conventional guidelines. No enterprise is unchanging, nor are markets. The results of change depend on the purpose and management of it. If change is successful, in retrospect we call it growth."

Most of our members feel that way and are very progressive about their roles in providing adequate retirement income for their employees. They see their corporations as innovators, not followers. However, the same pension administrators—and I happen to be one of them—feel that they are already overregulated. Many

of our members have to deal with many problems: the Department of National Revenue, the federal government, human rights, several family law reform acts and pension planners. We spend much of our time in regulation-related matters.

In my recent address to the last meeting of ACPM I spoke specifically on the need for uniform legislation. I said that we strongly recommend uniform legislation across Canada for private pension plans. The proliferation of legislation and regulations at the provincial and federal levels, the national revenue involvement, the various family law reform acts and the human rights legislation all contribute to a disturbing sense of disunity which tends to discourage the formation of new pension plans. The resulting conflict in the long term has an adverse effect on the beneficiaries. It is vital that these groups work together with private pension plan sponsors for uniform regulations and legislation.

We would suggest that periodic meetings of the provincial superintendents be held and that an agreement be made that no change in legislation be made unless all 10 provinces agree. The present situation, where each province is tending to diverge from the requirements of other jurisdictions, is creating horrendous administrative problems for our industry.

So, ladies and gentlemen, my first major concern today regarding the amendments to the Pension Benefits Act is that the introduction of the pension guarantee fund and the funding requirements after a plan is terminated are significant departures from uniformity with the other provinces.

My second major concern is the timing of these amendments. Over three years ago our association, along with 400 other organizations, including my particular plan, submitted briefs to the Royal Commission on the Status of Pensions in Ontario. We are now told that the report has been completed and will be released shortly. If that is the case, why amend the Pension Benefits Act now?

Ontario once had the reputation in the private pension industry of being the province which gave leadership in pension matters across Canada. Over the past several years in which we have waited for the royal commission report, Ontario has slipped in this leadership role. The other provinces have been forced to go ahead without the report or without Ontario, and the gap in legislation has widened.

The latest amendments to the Pension Benefits Act, particularly the pension guarantee fund, suggest that Ontario has allowed some pension funds to abuse their funding requirements. Surely this is not the case. We urge you not to finalize the amendments until after the royal commission report has been released. At that time we will know of the other provinces' reactions to your recommendations in the report and, I hope, can take steps towards uniformity.

If I could take off my hat as president of the association and speak to you as a person involved in pensions, I administer a

plan that has members living in every province, the Yukon and the Arctic. We send pension cheques to every province and the Yukon and the Arctic as well. We are reaching the point where we can't operate a plan because of the diversity of regulations, and we are getting very alarmed.

I was showing Andrea this just the other day. One of Canada's major pension consulting firms, in issuing its views on the Pension Benefits Amendment Act, 1980, ends up advising people like me that "The unilateral positions adopted by the provinces in their pension legislation is making the consideration of establishing separate pension plans by province inevitable for national employers."

We don't intend to break up our plan. We don't intend, if we can avoid it, to have six, seven, eight or nine different pension plans because we happen to have employees in every jurisdiction. We are not unique. Eaton's, Simpsons, the Bay, Woolworth, Gulf, Esso are all the same. I can see no alternative but having to go to Ottawa and trying to get Ottawa to support us in saying that type of a pension plan can be exempt from provincial legislation and can be controlled only by the Canada Pension Plan Act.

I don't think that is the answer either, but without uniform legislation it is just horrendous when one is trying to administer a plan that operates right across Canada. That is from personal experience. If you talked to people trying to operate pension plans in those other types of corporations, I am sure they would say the same thing.

In conclusion, as president of the Association of Canadian Pension Management I assure you, given the opportunity, we will work with all governments towards reinforcing the provision of adequate retirement income in Canada and the protection of the beneficiaries of the plans. Furthermore, ACPM assures you that if there are abuses in the private pension industry, we want them sought out and corrected.

We would prefer that the employer and employee groups that are not living up to the standards expected of them be dealt with directly. If this is proved after careful examination to be impossible, then we support any prudent action taken to protect the beneficiaries of pension plans.

We thank you for inviting us to this meeting and sincerely hope that you will give private industry an opportunity to understand the problems and work with you. We are here to answer questions or to react to anything you want to say to us. Thank you.

Mr. Chairman: Thank you, Mr. Hobson. Would you please clarify this for me? You are president of the Association of Canadian Pension Management?

Mr. Hobson: That's right, yes.

Mr. Chairman: You mentioned that you are--

Mr. Hobson: I am administrator of the Anglican Church

pension fund. I happen to be an archdeacon if I want to use the title. I administer a fund of approximately \$60 million with approximately 1,700 unretired members and 900 people receiving benefits. We pay out about \$3 million in benefits each year to members in every province, the Yukon and the Arctic.

Mr. Chairman: One of the things that you said at the outset I thought hit this whole complex area of pensions right on the head. You were talking, I suspect, about yourself and certainly other professionals when you said there was absolutely no resistance to change, that in fact it was quite the contrary. You gave quite an elaborate description of how people in this changing world are anxious to change.

You said at the same time that your professional colleagues feel they are overregulated, and I have some difficulty in understanding that. I see, on the one hand, the desire, as you said, to change and improve pension benefits for employees; yet there is some concern about the question of overregulation. It is a legitimate question, and I don't know the answer. I don't know how one gets the desired change without coming up, unfortunately, with new regulations or new legislation.

Mr. Hobson: I don't think the industry objects to the new legislation. The problem is that if you have members operating in different jurisdictions and you want to improve your plan, it is very difficult if one jurisdiction is changing one part of it while another jurisdiction is changing another.

I suppose an example would be "the new regulations in Saskatchewan, which are contrary, if not diametrically opposed, to Ontario's protection of the common law spouse. If that legislation goes through, it could very well be possible that every plan with with members in Ontario and Saskatchewn would have to have two plans. If they didn't, they would have to break the laws of one province in order to obey the laws of the other.

That is the type of change we resist. I think the industry recognizes we have to change and we have to improve, but somehow those plans that have to operate across the country have to be allowed to grow and develop in a way they can serve their total membership and not just their members in one particular jurisdiction.

10:30 a.m.

Mr. Chairman: I understand the question of uniformity. The point is well made. Whom do you speak to in Ottawa about matters like this? Who is the focal point in Ottawa?

 $\frac{\text{Mr. Hobson:}}{\text{uniformity}} \ \, \text{There} \quad \text{are two departments.} \ \, \text{We don't even} \\ \text{have} \quad \frac{\text{Uniformity}}{\text{uniformity}} \ \, \text{there.} \quad \text{I suppose the Department of National} \\ \text{Revenue is the major one.} \quad \text{Andrea and I will be there this week to} \\ \text{talk to Mr. Chater.} \quad \text{The Pension Benefits Standards} \quad \text{Act is the} \\ \text{primary governing legislation in Ottawa.} \quad \text{The Minister of National} \\ \text{Health and Welfare,} \quad \text{Monique Begin, is also involved because the} \\ \text{Canada pension plan falls under her jurisdiction.} \\ \end{aligned}$

 $\underline{\text{Mr. Chairman}}$: Has it been the situation where amendments to Ontario's Pension Benefits Act by and large have set the uniform standard, to the extent it is uniform at all?

Mr. Hobson: Up to three years ago whatever was being proposed in Ontario was being accepted by other provinces. The Canadian Society of Supervisory Pension Authorities met in 1975. That was the last time supervisory people from the provinces met publicly in Quebec. Until then whatever Ontario did was law across Canada. It was adopted by everybody else. I suppose the first to change was Manitoba which felt it had to bring in disclosure information before Ontario moved. I am sure they would have followed Ontario if Ontario had moved then. Now Saskatchewan has moved.

Mr. Chairman: Do you have any idea why the report of the Royal Commission on the Status of Pensions in Ontario has taken so long?

Mr. Hobson: No.

Ms. Vincent: I think probably it was a little more complicated. I also think near the end they decided to review teachers' funds and funds like that; so I think they changed their style. That is what I understand. They added.

Mr. Hobson: They broadened their guidelines continually and just gave them more. I believe it is nine volumes now. One of the problems is going to be that when it is released it will take two or three months to read it.

Mr. Chairman: I have some more questions but members of the committee do as well. If time permits, maybe I will come back in.

Mr. Ramsay: Mr. Chairman, the purpose of this committee is to study plant shutdowns and employee adjustment. While Mr. Hobson's comments were very interesting and certainly pertinent to what we are considering, I would like to have you focus in, if you could, on your feelings and the feelings of your association as to pension benefits, not necessarily for plant closures, but for workers in our province today.

Are they adequate? How do you feel about such things as portability? How do you feel about such things as caps on the bottom and top for minimum years of service before pension benefits come in? In other words, how do you and your association feel about pension benefits in respect to the problems confronting this committee, rather than the overall problems of administering pension plans across the country or this particular act to amend the Pension Benefits Act? I would like to have some expertise, some feelings from you on pensions for the workers of the province.

Ms. Vincent: I looked at some of the examples that were stated here of the plant closures and have had long chats with the pension commission and various other people. So far, we cannot identify, as much as your government would seem to be able to identify, what the exact problems are. If I look at the

terminations, there seem to be enough assets, for instance, to meet the liabilities in your examples here. I met with Mr. Drea and we tried to identify the problems more clearly. I personally can say, dealing with the pension guarantee fund for one thing, that I have not seen any demonstration that it is needed and I think that is why we are at a slight disadvantage when we comment on your papers.

Mr. Ramsay: Perhaps I could elaborate a bit on my question and our concerns. We have heard cases of plants closing, and because the workers have not reached the age of 45 they are not receiving pensions. We have heard cases of workers with 30 years of service getting inadequate pensions. This is the type of thing we are looking at.

Ms. Vincent: Then you are looking at the adequacy and the younger employee position.

Mr. Ramsay: Yes, and portability.

Ms. Vincent: I think on the adequacy problem, I did notice that some of the numbers seemed to be quite low, but that was generally when you were dealing with an employee who would be 45 or 46, and most pension plans are geared for longer-service, older employees.

I also noted a lot of the examples tended to be negotiated plans. I would assume there would be some room to say that the union and the employer and the employees all got together and agreed they would take more money in their pay package and have their vesting at 45 and 10, which is standard, as opposed to taking earlier vesting and not having a dental plan. I would assume it is part of the bargaining package or the bargaining process, so employees, employers and unions, must have been aware of the standards they were setting.

Mr. Martel: Just as an observation, while the unions try to negotiate better pensions, they are the toughest thing to win on. Frequently they have to back off on pensions to improve the overall package, like severance pay. It's not an also-ran, but there is great difficulty in getting improvements in pension schemes because in negotiations those are some of the things that are most difficult to obtain.

Ms. Vincent: Particularly for a younger employee.

Mr. Mackenzie: Bendix had a strike at the same time they were trying to settle a Windsor deal over attempts to do exactly that in the London plant.

Mr. Martel: You can't do it. That's one of the problems. Maybe It's difficult for people who just handle plans to understand why the difficulty in improving the pension scheme is there, but one of the realities in negotiations is that it is very difficult to crack pensions.

Ms. Vincent: I think if there is a certain amount of money to be allocated from the pay package to all sorts of other

things, the employees themselves, if they are a certain age, do not negotiate quite as hard for a pension. If they are quite young, they might negotiate for something else, but I think they have the power to negotiate.

Mr. Hobson: I think one of the problems on pensions—and I am sure $it^{7}s$ the same with members of this Legislature—is that when you are under 30 you are really not interested. You fight against any arbitrary plan that is going to take money out of your pay package when you are 35 years away from retirement. When you get to 45, you begin to wish that they had taken more away; and when you are 55, you are sure they should have done a better job for you when you first started. As you get older, you become more interested and you become more willing to be part of the program.

Mr. Martel: The point I am arguing is it's difficult to get it. For example, in the last negotiations at Inco one of the major stumbling blocks was the pension, and they were asking for a lot more in terms of pensions. They struck for eight months. They got probably the best improvement they ever got in a lump sum, but still far short of anything adequate to meet today's cost of living. You just can't extract it.

Mr. Hobson: To go back to the question here, I would like to respond in two ways. First of all, as president, I am speaking on behalf of a lot of other people who do not necessarily share my personal views. As far as the association is concerned, however, I think we would be quite prepared to support legislation that established minimum benefits. Now I do not know how you would do that. I think it would be a very difficult piece of legislation.

10:40 a.m.

But I am sure the association would support legislation that provided minimum benefits, especially if it could be made national. If the government really felt that there was need for some plan similar to the one in Britain that said that every person in retirement should have X dollars for every year of employment, that type of legislation that is now enacted in Britain would be supported by the association. To refer to portability, the association does support portability. There is no problem there.

Speaking personally, I feel that the sooner the royal commission report is out and the sooner we can see what the position of the province will be on things like disclosure, the quicker you can move towards correcting some of the problems you are identifying. The biggest problem right now is that members of plants do not know. I don't know about Inco. I don't know whether Inco has a huge unfunded liability in its pension plan already.

I know from American information, because the Employee Retirement Income Security Act publishes it, there are companies in the United States where the unfunded liability in their pension funds represents 80 per cent of the corporate worth of the corporation. They created that by going ahead and letting unions negotiate for benefits without ever providing adequate funding.

Until we get things like disclosure properly looked after, you cannot really grapple with many of these other things. Most certainly the association is not averse to disclosure. We are quite prepared. We have to do it in three provinces now anyway. We have been doing it in our plan for eight years in all provinces, as have people like Eaton's, because the minute that one province said we had to do it, we figured we might as well do it for everybody. We've got a lot of plans doing it.

This is why we feel that once that report gets out, if the total package could get looked at, one could make sure one was not going ahead and correcting a problem here that is only going to create a bigger problem over there.

Mr. Chairman: As a supplementary to that, there are two points, going back to your original thesis, as I heard it. You and your colleagues are anxious for innovation and change in this rapidly changing world.

Mr. Hobson: That's right.

Mr. Chairman: You are frustrated by overregulation and the real problem, which I respect very much, of lack of uniformity. We have just talked about two particular instances right here. One is disclosure. You and your membership are supportive of it. One or two provinces have it. Is that correct?

Mr. Hobson: Right.

Mr. Chairman: On portability you say: "No problem. Our membership supports it." I am just a simple, little guy, but I know that we do not have uniform disclosure in this country. We sure as hell don't have uniform portability.

Mr. Hobson: That's right.

Mr. Chairman: Everybody in this room, I think, wants it. You say your membership wants it. Why haven't we got it?

Ms. Vincent: It is a lot more complicated than it would appear to be.

Mr. Hobson: I guess one of the reasons we don't have it--Let's go back to the Canadian Association of Supervisory Pension Authorities. Each province sends a representative from its members and they meet together. They have been doing that now for 10 years. When they first started that, they said, "Periodically, we will meet in public and let the people involved in pension administration and pension matters meet with us and share with us what they want and what they don't want."

They did it once in Quebec City, as I say, about six or seven years ago. Since then, it is a closed book. We do not know what they are doing. They do not tell anybody what they are doing. All we know is that Manitoba brings out new legislation and does not even tell Saskatchewan. Saskatchewan had its plan partly written, only to discover that the very next province now has new legislation that does not agree with its. Now Saskatchewan has

passed legislation that is going to come into effect next July. Quebec has been going its own way from the start anyway.

Mr. Mackenzie: Where is the opposition to disclosure? You tell us clearly you agree with it. Three provinces have now got it. I am going back a number of years but I can recall trying to get information in union negotiations because we had no say in the damned plan. It was impossible. We were told it was none of our business and to keep out of it, that it was a company prerogative. Is it coming from the companies that have bought the plans? If you say the private industry itself is not against disclosure, who the hell is leading the opposition to it?

Ms. Vincent: I think that would have been the case several years ago. People have thought it out much more carefully over the last three or four years. Five or ten years ago there may have been some opposition to it.

Mr. Mackenzie: Why has the industry itself not taken the initiative to see that we have total disclosure, rather than waiting for legislation, if indeed the industry wants to avoid overregulation?

Ms. Vincent: Many of them have.

Mr. Hobson: I would say many of us have. I know a number of plans like our own were disclosing their membership long before the first piece of legislation was passed.

Mr. Mackenzie: Yes, but two or three progressives don't make up enough. It's the whole calculus we are dealing with.

Mr. Hobson: No. I think what the Canadian legislation's regulatory authorities, whatever they are, missed was the fact that when the Employee Retirement Income Security Act became law in Washington, that really changed the ball game in Canada, because if you are at Ford or General Motors, you have to disclose on the other side of the border, so you might as well disclose on both sides. I don't think the Canadian regulatory authorities took seriously the impact that the ERISA legislation would have on the Canadian pension scene. I think that is where the big change came.

Ms. Vincent: I also think there is a tendency to have a wait-and-see attitude because of the royal commission report. A lot of sponsors are saying: "Why make these little piecemeal changes? When we get this whole package, then we will know best how we should move."

Mr. Chairman: You are saying that in effect too with regard to the guarantee fund at least.

Mr. Hobson: In our plan I can't get my trustees to act right now on Saskatchewan legislation because they say they don't want to do anything until they see what Ontario is going to do. I am not sure we can wait that long. If I have to obey the Saskatchewan law by July 1 and Ontario doesn't bring its out until March, and if it will take me two months to read and digest it, then I have only got a month to do a lot of scrambling.

Mr. Martel: You won't even have that.

Mr. G. Taylor: There are two features in the earlier scenario you gave as to individuals and how they feel. There is the psychology of when a person wants a pension, such as you gave, the different ages. At 35 he is not too interested, but as he moves on the interest increases. Most of these pension plans that are negotiated, which are the ones before us, are turning out to have some disappointment in them it comes to disclosure. We had a union representative before us earlier who said he wouldn't disclose the exact facts of the pension plan because he couldn't sell the rest of the package if he disclosed what was really in the pension plan.

Mr. Hobson: That is right.

Mr. G. Taylor: Now we get to the situation where it does cause concern when it gets out on the table because of some other situation, for example, plant closure. How do you foresee legislation as a solution to a problem where these things come to light at that later date where they have all been negotiated along the route and they are really pluses to what everybody else might have in society, being the basic old age security and the Canada pension plan? Then they negotiate a plus for those unions.

How do you foresee this Legislature looking after what I will term the plus when it fails to have those features some people thought it should have? We have been quoted figures around here that they are very insignificant sums. Some people in our society don't have those insignificant sums. If you legislate the basic package, what else do you do? Do you also, in legislating a basic package of pension plan say, "You can no longer negotiate any more of that"?

I can see the next stage as we come along that once we have negotiated the basic package by way of legislation, those people that manoeuvre and negotiate further pensions would be out there adding to that basic package again. Then down the road we will again have the same problem. How do you forsee legislation to take care of that? Or do you say, as in some of our legislation, "You can't touch that once it's there"?

10:50 a.m.

Mr. Hobson: First of all, I don't think you can do that on a provincial basis. One of the dilemmas that Canada is facing right now in pension matters and in wage-related matters is the fact that it is going to be very difficult in the future to have different legislation in different jurisdictions because retirement is a nation's problem and the old age pension and the CPP are national programs. I think it will be very difficult to legislate on a provincial basis.

However, I think that the type of legislation that will eventually have to come is similar to what they have in Britain, where the national government establishes a minimum amount of retirement income for its citizens and then says to the private pension plans: "Can you provide that or not. If you can, then as a

corporation you get tax relief and you are allowed then to operate your private pension plan as an approved plan. If your plan does not provide the minimum, then you must go into a government sponsored national program"-- similar to CPP but only larger--"in order to provide the minimum."

That is the same type of legislation that many European countries have, and I am sure it will be eventually what Canada will be forced into. But I think the dilemma right now is that each province is trying to work towards that kind of a goal independently, and that's a tricky question.

Mr. G. Taylor: Do we not at present have what I will refer to around the table here and in other subjects as stacking in that we have the old age security, the Canada pension plan and then the negotiated plans? That doesn't appear to me what you are saying.

Mr. Hobson: You will always have stacking. In England, they have stacking but, as long as they are above, they can stack as high as they want. Pensions are always going to be wage-related and so people who have good incomes always are going to have good pensions and people who have bad incomes are going to have bad pensions.

There's a part of every dollar in every corporation, whether it's a church like we are or whether it's Mobil, that can be used for the employees. Some of it is going to be paid immediately and some of it is going to be deferred but the more dollars there are, then the more that's going to be deferred. So there is always going to be stacking. I don't think it would be a realistic goal to work towards a retirement program that wouldn't allow that.

- Mr. Mackenzie: I was interested in your remarks on stacking because it may be one of the fights that we have in the next period of time over pension benefits in any event. Let me ask you then, would the association support an increase in the federal pension, the CPP or the OAS combination, because it's geared to a certain income? I am thinking there in terms of the lower paid workers in plants where there is going to be under the private system a smaller pension?
- Mr. Hobson: I don't think the association would support it because if one takes the Lazar suggestion of doubling, if one doubles CPP, that just means there are fewer dollars there for the private plan and a lot of people would say, "Well, in that case we will close our plan down." And they would and that's the end of the private pension industry. I think for that reason it would be opposed.
- Mr. Mackenzie: I understand the self-interest that's obvious in that but you yourself made the point that eventually we are probably going to see something like the British and the European experiment where there's a level. You are saying, "Invite the private insurance industry and see if it can provide that level." But I am not sure, because it's income-related, one is ever going to get that kind of a set-up.

Mr. Hobson: First of all, I am not suggesting anything about the insurance industry because we are in the pension business. The British and European schemes allow plans to opt out of the compulsory feature if they themselves can do as much or better. I, personally, would always want to have that opting-out feature.

Mr. Mackenzie: My concern is the very thing we have raised, 10 provinces and the multitude of private plans. For the life of me I don't see how you are going to reach an adequate level of income unless we do something to bolster further the federal pension arrangement. That may be an argument we would have, but I think that is where the private industry is going to fall down, because I don't think they can get anywhere near the uniformity necessary, especially where they are dealing with wage related industries and the plans that they sell.

Mr. Hobson: I think it would be easy to give bad examples. It would also be easy to give good examples. There are many private plans that operate across Canada which do provide adequate pension benefits.

Mr. Mackenzie: There are some, it is true, but the one thing people usually know is what they have got in the old age supplement and the Canada Pension Plan. I am talking now in terms of retirement.

One of the problems is disclosure and explanations to workers. Most of them don't have the foggiest idea. I suspect a number of members of this House don't know what they actually have in the way of pensions. People don't know. When you get a situation where there were no pensions in effect, or darned little as in the Essex plant, or where they were very limited, whether it was Armstrong or Bendix or you name it, it is not until something happens that they realize that pension they thought they had is really totally inadequate.

I get calls more than weekly in my constituency office from people who have been in private plans for years and are now retired. They are finding the adequacy is not there, especially if they have taken any kind of early retirement.

Mr. Martel: What if they don't have a pension?

Mr. Mackenzie: That is another matter.

I guess what I am really saying is that there is a criticism of the private industry here. I think they take some of the blame. They can say, "Okay, we haven't had the uniformity across the country," but it seems to me there are a number of things in terms of portability and adequacy that the industry itself could have been addressing long before this so that we wouldn't be in the kind of bind we are in now.

Mr. Hobson: My response earlier was if the Ontario government had released its report earlier, it could have acted three years ago when Manitoba did, and your constituents could then have had the protection Manitoba constituents have. There it

is mandatory that every member of every plan be advised exactly what the benefits are and have an annual statement and a financial report sent to them showing the adequacy of the fund to meet what is being guaranteed and so on.

Mr. Mackenzie: That is a political problem we have in this province. Even setting up a commission usually takes a hell of a lot of pressure.

Mr. Hobson: I think I said earlier, up until three or four years ago Ontario was leading the way. I am sure there are more plans registered in Ontario than in any other province in Canada. Those plans that were registered in this province, like our own, were waiting and delaying because we wanted to act in accordance with the recommendations of the royal commission.

Donna Haley met with me in Calgary in 1976 to discuss our report. The other day I had to dig it out of the file. I couldn't find the file to see what I said, it was so long ago.

Mr. Mackenzie: Is your own plan adequate as far as you are concerned?

Mr. Hobson: Our plan is adequate for members who came into the plan after 1958.

Mr. Mackenzie: If I heard you properly, you have about 900 people drawing \$3 million, which only works out to about \$3,300.

Mr. Hobson: That is right. There is no denying that the people--we have a lady drawing a benefit whose husband died in 1907.

 $\underline{\text{Mr. Mackenzie}}\colon$ What would the low and top range be in your plan?

Mr. Hobson: (Inaudible) years of service.

Mr. Mackenzie: Would anybody be above \$1,000?

Mr. Hobson: Certainly. We have people drawing \$38 a month who were only in the plan for two months. We have people drawing as much as \$7,000.

11 a.m.

This is something you can't do on a provincial basis. If you have an existing plan and you are self-insuring, as we are, you are carrying your mortality rate. We have benefits for spouses. We have at least 50 clergy widows whose husbands died before the last war. When you say "adequacy," you have to consider when they died and the kinds of dollars that were received, for instance, back before 1907 from Mrs. Scott.

Mr. Mackenzie: I still wonder at the adequacy. Sure, it is related to the kinds of dollars at that time, but the payout is not very high, on average, for the 900 people you have.

Mr. Hobson: No, I guess on an average --

Mr. Mackenzie: You are going to have a heck of a lot of people down below it there are people up above \$3,000.

Mr. Hobson: I guess that is why you shouldn't quote statistics to politicians. For instance, some of those 900 people are children of members and are receiving \$50 a month towards their schooling.

Mr. Mackenzie: It still makes me wonder about the argument for adequacy of the private clients, that's all.

One of the things I may have misunderstood, but it bothered me. In your opening statement you made the comment, I believe, that no changes should be allowed in terms of pension plans unless all 10 provinces agreed.

Mr. Hobson: We would like that.

Mr. Mackenzie: Do you think that is at all practical?

Mr. Hobson: Well, if it isn't, then as I said earlier, when I meet with Mr. Chater I intend to pursue with him the possibility of allowing certain plans to be exempt from provincial legislation.

Mr. Mackenzie: They are then going to have to be tied federally somehow, which is why I keep coming back to it. I think our answer is going to be in the federal--

Mr. Hobson: That is right, yes. I really don't see how any corporation can operate as a Canadian entity with employees in every jurisdiction and offer to its employees a universal program operating under 10 different jurisdictions. Unless the provinces can work it out, then I think the federal government is going to have to.

Mr. Mackenzie: Another thing bothered me. You made a plea that we wait until the report is out. Basically I don't disagree. We have been arguing for months, even a couple of years, trying to get this report. We have been given a number of dates over the last year when we were supposed to have it but it keeps getting delayed.

I think practicality tells us that once we do get the report, and you yourself mentioned the difficulty you are going to have in reading through it, it is going to go out and once again we will have input from all the varius groups. If you are looking at specific changes, that will take anywhere from one, if I were as optimistic as all get out, to probably three or four years after you get that report.

That is why I say I don't think it is practical to look for all 10 provinces' agreement. As desirable as it may be, I don't think it makes sense to say we shouldn't try to correct the problems we know we have now before then. Otherwise it is just a

crutch. We are waiting for years before we make the changes that are needed.

Mr. Hobson: I can appreciate that viewpoint. On the other hand, I think it is very difficult for us to respond to the proposed changes when we don't really know what the fine print is which will come later after the report is published.

Mr. Mackenzie: The thing that has bothered me from day one is that the exercise in getting the report may be very useful in setting out some of the problems and the parameters, but I don't think it is what is going to result in the actions. The actions we take now and those the other provinces are taking are what is going to be necessary if we are to get improvements in pension legislation.

Ms. Vincent: May I ask, do you feel the pension guarantee corporate fund that is proposed is going to solve the problems?

Mr. Mackenzie: I know that we didn't have adequate vesting or funding in some of the plants that have closed over the last few years. If that gets at that problem, and I am not sure it will, it is one of the answers.

Certainly there are a number of other things that are problems. I am sure you are aware yourself that a lot of workers are changing employment four or five times in the course of lifetime and never meet the vesting requirements in any one of those plans. If we are going to have any kind of portability at all, we are obviously going to have to cut down the period and have some kind of insurance or central funding arrangement to transfer their benefits to when they leave employment after five, six or seven years with a certain company.

Ms. Vincent: That was supposed to have been set up years ago, wasn't it, that central thing?

Mr. Mackenzie: As a matter of fact, we have had recommendations to that extent and that is why all parties in the House that are sitting also in abeyance until we get the recommendations of the royal commission. My annoyance there is that I think we are waiting another two or three years after we get those and I do not think it is what is going to cause the action. It is going to set out the problem a little clearer but the action will have to come from members of the Legislature. I think the action is going to come there because I am not really sure private industry has reacted to some of the problems that are there

Ms. Vincent: As I read the new amendments I do not see that there is any movement there to improve vesting at all.

Mr. Mackenzie: As I read the amendments I think there is precious little there. I do not really know what you are worried about.

Mr. Hobson: I am not sure that it is a worry. I think

instead it is a concern--and again I speak personally--that some plans are going to see their only alternative is to follow the example, the advice I read to you from one of the consulting firms, and to take all your Ontario employees out of your plan, because they are the only ones you are going to protect anyway, because they are the only ones you are going to protect anyway, and set up your own plan for them and put the rest of your employees in Canada into one plan or maybe have one plan for the Maritimes and one for western Canada.

If you do that, first of all it adds to the administrative cost because you are going to have to have more than one actuarial valuation and that just means you pay out less in benefits because that is where the money comes from. So if you increase your administrative cost the people who suffer are your pensioners and your members.

I think then you get all sorts of temptations. It was suggested, for instance, in the church that one of the things maybe we should start doing would be to set up a retirement scheme whereby one week before retirement you transfer the man to Newfoundland and then he would retire under Newfoundland legislation.

Mr. Mackenzie: It is like playing games with the plan.

Mr. Hobson: Sure, it is like the plan in Canada that bought an airplane because the minute they bought an airplane they had one employee who was governed by the civil aeronautics or whatever it is in Ottawa which meant they could then operate under the Pension Benefits Standards Act and not under provincial legislation until they plugged the loophole.

People start playing games. I do not think that is to the benefit of the members. I guess our concern about the legislation is that it is just creating more administrative problems for pension administrators and their solution to those problems is going to be games played.

Mr. Mackenzie: One of the solutions in terms of the percentage of the premium that was paid out, if you take a look at auto insurance, public versus private plans, was that you did not have the duplication of administration, the extra actuarial people that were needed. Most of the things you talk about, the need for portability, the stacking, the various arguments you make are arguments that I can agree with, but I cannot see the direction or the lead that has come from the private industry that gives me any confidence that they are going to do it or that they can do it.

Mr. Hobson: I cannot see anything in the civil service that makes me any more confident in them.

Mr. Mackenzie: I know what I have got in my CPP and OAS.

 $\underline{\text{Mr. Hobson:}}$ If you were in my plan, you knew what you had in my plan.

Mr. Mackenzie: With a \$3,300 a year average I would not be too happy.

Mr. Hobson: If you were only getting \$1,800 a year salary you might.

Mr. Martel: As I listen to you, you are almost screaming for one plan across Canada.

 $\frac{Mr}{is}$ Hobson: No, one set of legislation across Canada. There is a big difference.

Mr. Martel: What bothers me, unless the ground rules are established pretty firmly uniformly across Canada, we are going to continue the hotchpotch and the only workable solution would be more investment in the Canada pension plan.

Mr. Hobson: So you could give it to the provinces.

Ms. Vincent: I do not think that most people, if the man on the street knew about Canada pension plan, would support increasing it at all if he knew what was happening.

Mr. Martel: That is part of the problem. We are reviewing now the legislative pension for members and one of the recommendations by our actuary is that every member should be given an annual statement as to what his contribution is so that he understands what is going on, also to try to get him to understand what his pension scheme is all about, because if you were to go around this Legislature most of them could not tell you what specifically was in their plan.

11:10 a.m.

Ms. Vincent: You do not have disclosure?

Mr. Martel: We get nothing. You can find out what your contribution is. The problem with most people, I think one of the reasons most people do not fight harder for a pension, is that they do not understand the pension scheme, they do not understand stacking or integration.

I had a woman in yesterday who took an early retirement for medical reasons. She came totally confused to my office. She was under the impression she was going to get a full plan but she did not qualify for Canada pension plan yet, she was only 62. Canada pension plan does not say she is totally disabled so they add \$78 on her pension from the scheme.

When she gets to be 65 three years from now they in fact will take that \$78 away from her, throw in OAS and Canada pension and she is up to \$600. She is under the impression she is entitled to \$600 today. No understanding that some of it is integrated and some of it to be stacked. The hotchpotch, it is just a total mess.

Mr. Hobson: I would suggest that the members examine some good pension plans across Canada and see the kind of disclosure that is taking place. You obviously are one of the poorest examples of a good pension plan.

Mr. Martel: They tell us that we have one of the best pension plans here.

Mr. Hobson: One always says that if one does not talk about It. If it is hidden one always says it is the best.

Ms. Vincent: Even people like the teachers and people like that have not been able to accomplish things like portability. I think it is one thing to suggest that private industry might not have been innovative enough, but even Canada pension plan is not, particularly private industry. We have criticized that very seriously. We do not do it publicly too often, but we do not approve of the way it is run, or the teachers' plans or lots of them.

In my opinion there does not seem to be a perfect plan because we talk about pensions as if we have a pension industry, but in fact we do not. We have agreements between employers and employees which is part of the way our society functions and they all differ a little bit, and some of them a great deal, but it is not as if there is one. Your pension will not be the same as mine or anyone else's.

That is another problem with putting in too many regulations. One can disturb the position or the right of the employee to negotiate his salary package. I do not know for sure that the average employee would want to lose those rights. I think many of them feel very strongly that their unions are in there doing the best job they can for them and that is another form of uniformity. I do not think the unions want it, nor do the employees necessarily. So it is not just private industry that does not necessarily want it. It is a combination of everybody.

Mr. Hobson: And also to know that government pension plans are the hardest pension plans to work with. There are a number of plans like ours which are prepared to have reciprocal agreements with anyone who will enter into an agreement. We have only one provincial teachers plan that has an agreement, and that is Ontario, but none of the other provinces will even think about it.

Saskatchewan, with all of its wonderful legislation, will not have reciprocal agreements with anybody. We cannot get a reciprocal agreement with Ontario. We have one with the federal government. So we cannot even get reciprocity with you people. We ask for it and you say, "No, we cannot do that."

Mr. Martel: My difficulty is that if one looks at statistics today the changeover of the work force from one job to another is going to continue to escalate, I think. People are going to change more frequently.

Let us say a man has only four years, even if we got vesting down to five years, unless we have some central authority that takes his share, should the company's share have to go along with it so that at the end of the road, if he or she has had seven or eight jobs, should all contributions from both management and as we--or as a teacher I did--contributed and the board contributed, but at the end of the road, if I am not there long enough, should the contributions from both sides be put into a fund and just continually added to from the next employer, plus the employee's contribution, whether it is a share of his wages or his actual contribution?

What will reduce the value of someone's pension is if he can't carry the management's portion with him all along the line, so on even the concept of vesting after five years or 10 years and age 45, it seems to me that we are going to have to get away from that concept and say that regardless of where you work, your contribution, whether directly or in lieu of wages, must be portable all along the line so that people at the end of the road are going to have a proper pension.

Ms. Vincent: Certainly that would be much harder on government and teachers and plans like that than it would be on private industry if that type of thing were the case. Because it's putting money into your finances.

Mr. Hobson: I was in Saskatchewan two weeks ago talking to Mr. Crozier. He administers their pension program and we talked about this. He said private industry would support that the minute the government stopped putting those little lines into their act that say: "This pension act does not apply to government plans."

It is interesting that Saskatchewan brought out all sorts of (inaudible) for next July 1 but the act begins, "This act will not apply to the employees of the province of Saskatchewan nor to the teachers," and then it goes on.

Mr. Martel: Unless we are prepared to do that --

Mr. Hobson: I agree there is no way and I would say this. Not all, but I think that you would be suprised at how many of the corporate sponsors say that they believe dollars should follow the man. That's a pension philosophy that says that when an employee leaves, the dollars that he has accumulated, both his own and the employer's, should go with him to his next employer.

Mr. Martel: Are you saying that government is the big obstruction to this sort of--

Mr. Hobson: Provincial governments.

Mr. Martel: Provincial governments?

Mr. Hobson: Yes. We have a reciprocal agreement with the federal government so that if one of the present employees of the federal government was to come to work for the church, the federal government will transfer over to us all of the money that has been accumulated by him and on his behalf to our plan. We do the same if someone was to leave our employ and go to work for the federal government, but we can't get that kind of an agreement with the province of Ontario.

Mr. Martel: But we do it. We just did it recently with the restructuring of Hydro. Anybody who left Ontario Hydro and

went to the regional municipality of Sudbury carried everything with him.

Mr. Hobson: That's within your plans. You don't do that with Esso. You wouldn't do that with Texaco and you wouldn't do that with the Anglican Church of Canada.

Mr. Martel: That's crazy though.

Mr. Hobson: I agree it's crazy.

Mr. Martel: I come back to my original position. It almost screams then for one universal plan.

Mr. Hobson: As I say, I have less faith in civil servants than you do.

Mr. Martel: I didn't say it. I don't think it's the civil servants that make those decisions, by the way. I think it's whoever is in power that makes those determinations.

Mr. Hobson: It would be a government.

Mr. Martel: That's right. I wouldn't blame the civil service. They only do by and large what they are told to do in most instances. They lie occasionally to the Minister of Health but beyond that--

Is my understanding correct that one of the reasons for establishing this commission is too much was in fact falling on the public sector and there's a fear that more and more the public sector is being asked to pick up the contributions and that there's a great danger that the public itself can't afford it? In other words, there is insufficient contribution from management's share and that was one of the reasons for establishing this particular committee looking into pensions?

Ms. Vincent: I am not sure I understand you.

Mr. Hobson: I wasn't aware of it.

Mr. Martel: My understanding is that one of the fears that led to establishing the commission on pensions was that the private sector wasn't contributing enough and too much of the cost of pensions was falling to the public sector.

Mr. Hobson: The original setting up of the pension commission-

Ms. Vincent: The royal commission or this one?

Mr. Martel: No, no, not ours.

Ms. Vincent: My understanding is it was largely because there was some pressure from, for example, private industry to set up a separate company or corporation or crown corporation to start investing Canada pension plan money and the government wasn't sure

about that and they thought we had better look into the whole thing while we were doing it.

11:20 a.m.

Mr. Hobson: I think a lot of people forget how recent the whole idea of universal pensions and retirement incomes and so on is. It's a fairly new concept and I think the setting up of the Pension Commission of Ontario and the Canada Pension Benefits Act in Ottawa, the legislation that came in in 1961 in Ottawa, the rules governing the money being held separately from corporate funding in 1969, were just normal progressions of the industry. If you look and see the billions of dollars now as compared to even 20 years ago, it really is a new thing. So I think it's just a normal progression.

Mr. Martel: I asked part of this question, but let's say we can't get agreement for a person who has only got four years with a company and it is transferred to another fund. Should the employee then--let's say a plant closes--should he be entitled to not only getting his money back with interest but the company's?

If I, as a teacher, don't have 10 years and age 45 and I am not vested, if I leave teaching, I only take my contribution plus the interest accumulated on that contribution. I never get the contribution supposedly made by government.

Now, the government argues constantly that it actually matches dollar for dollar the contribution to the teachers' fund. I have never accepted that they do. It is just a paper transaction. In my opinion, they don't take the money and put a lump sum of money there and say there it is. They will argue they do basically. But should you not be to the vesting age, should you get the company's share, their contribution, as well as your own? You would get your own back plus interest, but should you get the company's share?

Ms. Vincent: If the employee is young enough and there is an earnings related plan, there isn't a company contribution because there is no reason to put in money for younger employees.

Mr. Martel: But that's one of the reasons why we have actuarial problems then, isn't it?

Ms. Vincent: I don't "think that we have even in the things that you are pointing to here, I hadn't noticed in any of your case examples where there really was a problem. The promises seem to have been met quite nicely and I think I read this very carefully, unless there are other cases that we are not being made aware of.

Mr. Martel: But there were cases where people were laid off and they hadn't reached the vesting age.

Ms. Vincent: And as agreed, they got nothing.

Mr. Martel: Nothing. That's the point I make.

Ms. Vincent: That's right, but that's what they agreed.

Mr. Martel: From the day he starts though, in fact he feels he or she is contributing towards a pension scheme, either in lieu of wages or directly. Should the company not be forced at that stage from day one to match the contribution?

Ms. Vincent: Bither that or I would suggest that they should not necessarily be forced to match it but they certainly should be forced to disclose to that employee that "in 1980 we put absolutely nothing into your pension plan." People shouldn't be led to believe there's money there--

Mr. Martel: You are back to disclosure.

Ms. Vincent: Disclosure, sure.

Mr. Martel: But most people think that they do from square one when they start. For example, an Inco employee doesn't contribute directly but there's a certain percentage of the wages he doesn't get in his contract that supposedly goes towards a pension fund.

What you are telling me is that in reality for quite some period of time there might not be one cent put in towards that particular employee, so that if he quits or if there is a massive layoff as there was in 1978, he does not get anything because there is nothing contributed, but he has lost wages all along.

Mr. Hobson: Again, every plan specification is different and I don't know about the Inco specifications but if the plan specification claims that dollars are paid in, then that should be reported to the member and he should get back what was paid in. If nothing was paid in, he should be told that nothing has been paid in and therefore he will get nothing back.

Mr. Martel: Let me ask you a question though. I start working for company A. I work for three years and I am laid off. For that three-year period some of the wages I would have got if there had not been a pension plan and the company was paying the total pension plan by--you know how the process works, you go into collective bargaining and a certain percentage or a certain amount per hour is held back. You don't draw that as a wage. It is going towards your pension plan.

Most people feel that that's happening from square one because it is happening to the older employees. The younger employee doesn't get the extra seven cents an hour that goes towards the pension scheme. What you are telling me is that, in fact, he has really not contributed yet.

Ms. Vincent: In some plans; he does in some but, again, it is so individual according to the plan because, in fact, that employee--we were talking about it this morning--might be killed on the job and his spouse and his children might get a pension for a long time, until their education is finished.

If you take a piece of the puzzle and you look at it in

isolation, it can look like there is nothing being done for that employee but, in fact, there was because he was given the broader protection. He does not need a pension today, but if something happens to him--

Mr. Martel: But the point I am trying to make is that when he quits or if some of the people in some of the cases we have looked at where there were pension schemes, money was actually withheld from him or her, maybe for eight or nine years.

Mr. Hobson: If money was withheld, then he should get the money back.

Mr. Martel: But they don't get that.

Mr. Hobson: Well, they should.

Mr. Martel: If you are in a plan, everyone contributes the same amount.

Mr. Hobson: No, not necessarily. They may; it depends on the specifications. There are plans in Canada where no contributions are made by either side until, say, age 25 or age 30. In that case nothing is being withheld in that particular plan. There are other plans where the employee contributes nothing until a certain age or maybe for the whole of his life. There are other plans where he does.

Mr. Martel: He does, though, really. If a company is making the total contribution, he, in fact, has lost it in his hourly rate. He is making money out from square one.

 $\underline{\text{Mr. Hobson:}}$ All right. What I mean is that he has no deferred income for which he can claim income tax.

 $\underline{\text{Mr. Martel:}}$ Well, then he is losing money all along and he does not get it when he leaves.

Mr. Hobson: That's right.

Mr. Ramsay: Could I ask a supplementary question of you just for clarification? Are you suggesting that in some of these cases that we study, people had made contributions to the pension fund but they had not been vested and, therefore, they did not get those contributions back plus interest at the time the plant closed?

Ms. Vincent: I think that's against the regulations.

Mr. Ramsay: That's what I would think.

Ms. Vincent: But I believe that could have been true 15 years ago, but I am pretty sure--

Mr. Ramsay: This is last year.

Mr. Martel: What about people at Bendix, for example, who did not get a cent out because they were not vested? If you

were vested, you took it with you. But if you were not vested, you got nothing, zero. How can that happen that some employees would be vested? But there has to be a contribution--

Mr. Hobson: It is against the law if those members made any personal contributions.

 $\underline{\text{Mr. Martel}}\colon$ Okay, let me try to go back at it then, because I am confused. My researcher says people maybe are confused. Maybe I am the one that is confused.

Let us say that all of us here start work at the same time. Some of us are over 45 unfortunately, so after 10 years I am vested. I could transfer that somewhere along the line. If I were under 45 and the plant closed down, my understanding is that some workers got zero, nothing in some of those plant shutdowns.

Mr. Hobson: That is only possible if it was a noncontributory plan.

Mr. Martel: Okay, fine, except that when pensions are contributory, you might not make an actual contribution yourself but, in fact, there is a contribution made in lieu of wages. If the company is paying the total bundle, that is his contribution. It comes from whatever the company puts in. But he does not get that amount back, does he?

Mr. Hobson: No.

Mr. Martel: That is what's bothering me.

Mr. Hobson: I think that bothers some of us. I would suggest that Ontario, like other provinces, look at how you can correct that situation, because that is strictly a matter of negotiation. That never happens—well, I should put that the other way around. That only happens usually in negotiated pension schemes. I am quite prepared to admit that perhaps sooner or latter in our pension legislation, we are going to have to have special legislation for negotiated pension programs.

Let me give you an example. In a plan such as ours, a plan such as Shell Oil's--they are the two that I am familiar with, but there are hundreds of them in Canada--the employer's portion is paid in the same day that the employee's portion is paid in. It is a fixed amount of dollars and it never goes back to the employer.

11:30 a.m.

Ms. Vincent: Even if he has a surplus.

Mr. Hobson: Because we had a case where a person left and by law only took his personal contributions plus interest out. The employer's portion stays in the plan. It becomes an undistributed surplus for the other members of the plan. The employer never gets it back. And there are a lot of plans like that in Canada.

Mr. Martel: They should all be like that.

Mr. Hobson: As I say, in some plans that are negotiated, part of the negotiation is that the employer can have the kind of privilege that you are criticizing.

Mr. Mackenzie: As a supplementary, would you agree on all negotiated plans that the employee should have a say in the administration of the plan?

Mr. Hobson: I think that the problem is--and we are off pensions now on to labour relations--that if you examine the papers and the articles and all the stuff that came out when the Employee Retirement Income Security Act was passed in Washington and see the horrendous state of negotiated pension plans when they finally had to open the doors and admit, as I say, that the unfunded liability in the pension fund represented 80 per cent of the capital value of the company.

That was brought about because of no disclosure and you would go ahead and negotiate and just hope that a lot of employees would quit. That's bad stuff and that's the only way they could correct it down there. I don't know how you are going to correct it here. Again, they could only correct it when they went to Washington. They could not do it state by state.

Mr. Martel: One of the answers might be that, for example, in the teachers' plan that there would be as many teachers on the commission as there are government appointees, because, in the final analysis, I think it is six to five in Ontario; five teachers and six government appointees. This always puts you at a disadvantage in distributing, how you are going to invest your funds.

 $\underline{\text{Mr. Hobson:}}$ Again, going back to one of the things that started all this, when Ontario writes its disclosure legislation, that is going to take care of a lot of it.

Mr. Martel: Just one final question: What about indexing? Should all pensions be indexed?

Ms. Vincent: Should they be? Officially?

Mr. Martel: Yes.

Mr. Hobson: If you can afford it.

Mr. Martel: But can we not--I am trying to make a double negative here. We cannot afford not to because what you have happening is that we raise the members' pensions here periodically. You see people who are so far behind the eight ball that they just is not enough to live on, particularly with the--

Ms. Vincent: Some of the underlying plans--the Canada pension plan and the old age supplement and those types of plans--are indexed which gives the people a certain amount of protection. Also there are the free drugs and prescriptions.

I do a lot of work for senior citizens and there are a lot of women who are poor. There are many more that are not poor. It

is not as bad as it sounds. They have a lot of income-related housing, for example. A lot of them live in those types of housing.

Mr. Hobson: I think that indexing is a good thing and no one in his right mind is going to argue against indexing.

The problem is that every time one increases benefits, somebody has to put extra dollars in the fund. Finding the source for those dollars is difficult, especially if one has the kind of plan you wanted, where one said the employer should be paying in a fixed amount of dollars. If that amount of dollars is being used up every year, then there is no surplus for that indexing.

Ms. Vincent: Used for the younger employees, that's right.

Mr. Hobson: That presents a problem. Again, I think you would be surprised at how many plans in Canada do give increases on an ad hoc basis from their funds. Again, I can only speak personally, but we have doubled pensions. At a time when the cost of living went up by 107 per cent, our pensions went up by 100, so we were only seven points behind. most of the better plans are doing things like that.

Ms. Vincent: The majority of the members of ACPM do. They don't index. They give ad hoc increases.

Mr. Hobson: The problem that we have with indexing, especially as it relates to some pension plans, is the fact that the total pension is indexed. I think if you ever had tried to bring in legislation governing indexing, you would have to be sure that you only indexed the first \$20,000 of a pension, or \$50,000 because most certainly you have a nice cushy pension of \$50,000 a year and that last \$10,000 doesn't need to be in there.

Mr. Martel: No.

Ms. Vincent: That is why, in many ways, the Association of Canadian Pension Management would prefer the idea of ad hoc increases because then one could look at all of the pensioners and be sure that those people who need it the most are likely to get a little more than the other people.

Mr. Martel: Have you ever tried to get people to agree to move away from percentage increases? We only have a handful of members around here, but you try to move away from your percentage increases and an uproar occurs, because those guys at the top who have the \$20,000 pension still gets the maximum raise while the person at the bottom who has \$4,000 is still suffering,

Mr. Hobson: Speaking again from personal experience, our last increase was a percentage increase of 15 per cent and that was done because we had so much pressure that the next increase had to be a percentage increase. The two increases before that, in one case was a flat increase and in one case was an increase that gave a larger percentage for the first thousand dollars of pension and a smaller increase for the second thousand and a smaller increase for the third thousand, but the pressure was enormous. I

think it is called original sin or greed or something and we all have it.

Ms. Vincent: I think it would also be important to make sure any regulations that go through don't cause people not to want to install plants and things in Ontario or cause people to throw up their hands and say, "We can't handle having a pension plan," and that again is why I still come back to taking a look at the Ontario report and trying to make the type of changes in a uniform way that would not make our province less desirable than perhaps another province or another country for that matter.

 $\frac{Mr.\ Mackenzie:}{of\ plant\ investment,\ plant\ closures\ and\ everything.}$

Mr. Hobson: I wouldn't want you to see it as blackmail, but I do think you should seriously consider that there are a number of plans right now which are investigating separating out their Ontario members into a separate plan. If they do, I am sure that doesn't mean the Ontario plan is going to be the best one in Canada.

Mr. Chairman: Why are they doing this?

Ms. Vincent: Because of that pension guarantee court. How else would you decide where the liabilities belong?

This may be too technical, but only Ontario wants to do this and it is going to be on the unfunded liabilities, so after that you have to separate Ontario away from everyone and find out how much of the unfunded liability would belong to the residents or the workers in Ontario. Once you have done that, it would probably be better to pull them out and maybe reregister the plan in Manitoba or Newfoundland or Alberta or run separate plans. That is not in the best interests, necessarily, of anyone to do that.

Mr. Mackenzie: Specifically, what are we so scared of?

Mr. Turner: Is that being considered?

Ms. Vincent: We talk about it every week.

Mr. Hobson: If one has an unfunded liability--we don't, so I am not talking about myself. There are a number of plans registered now in Ontario and they have, say, \$10 million unfunded liability and they have 2,000 members employed right across Canada.

Your proposed legislation says that you are only going to protect the Ontario members for their Ontario service, so the actuary would then have to say, "Out of that \$10 million, \$1 million represents the Ontario service of our present Ontario employees. The other \$9 million belongs to the other people across Canada." He only has to worry about that \$1 million if he registers his plan separately in Ontario.

What he would then do is just have two plans, an IPSCO Ontario plan and an "Ipsco Canada" plan. He would register the Ipsco Canada plan in Edmonton with \$9 million of unfunded

liability. He will register the Ontario Ipsco plan in Ontario with only \$1 million unfunded liability because it only applies to Ontario.

11:40 a.m.

Mr. Mackenzie: What percentage of the unfunded liability would be the responsibility of Ontario? There is something missing in what you are telling me.

Ms. Vincent: You wouldn't know--

Mr. Hobson: You wouldn't know until the actuary did evaluation.

Mr. Mackenzie: Are you saying, in effect, Ontario might be able to draw on some of that other \$9 million or some of the money that really came from the other provinces in the event of a problem in that fund?

 $\underline{\text{Ms. Vincent}}\colon$ If it is not registered there, no. Just where $\overline{\text{it}}$ is registered is where it will be drawn on.

Mr. Mackenzie: But you would really have to take a look at whether it benefited you or not and tear it apart.

Ms. Vincent: That's right, but you would have to tear it apart anyway to find out where the liabilities exist and once it is there, then you would have to look at it.

Mr. Hobson: If you have to have two valuations, you might as well have two--

Mr. Mackenzie: If Ontario said that you are going to be nailed for any unfunded liability, what you are arguing then is that you want to be sure that it is to your advantage to split the plan and you might be responsible for less. If it is just one plan, Ontario may be able to draw a disproportionate share of the money in terms of guaranteeing the pension. Is that what you are saying to us?

Mr. Hobson: I am not sure. It is the multi-employer problem as well as the national employer problem. There are two kinds of dilemma there: the one dilemma is a lot of little companies joined together by some kind of a holding unit and they are multi-employers all on the same plan. Those employers might be in different provinces and that is really a different kind of a problem than the Eaton's problem, where you are all with the same employer, just located in different parts of the country.

Depending on which of those two you fell into would determine largely whether it was to your advantage to be separately registered or not. There are some already separately registered, let's face it.

Mr. Chairman: Mr. Van Horne is next on the list. I don't want to overdo this but I am hearing from you a strong plea for uniformity, which I can understand perfectly. It seems to me your

concern about the guarantee fund, though, is only in a passing way, one of uniformity. Your real concern is about the whole concept of a guarantee fund. Am I right, and if so, just let me read a sentence from the minister's statement in December:

"A guarantee fund will be established to provide protection for specific pension benefits for members of single-employer plans where an employer is insolvent and unable to meet the financial commitments to funding the plan."

Now is it your professional opinion that doesn't happen and therefore no guarantee fund is required, or that there is a better way to speak to that problem?

Mr. Hobson: I wish I knew what the minister meant.

Ms. Vincent: I was going to say I don't understand exactly what he means by that.

Mr. Hobson: For instance, are plans going to be asked to contribute premiums to that fund?

Mr. Chairman: The next paragraph goes on:

"The guarantee fund, which would be administered by the pension commission, would be financed through an annual premium from employers with pension plans not fully funded. The fund will be initially guaranteed by the Treasurer of Ontario."

By the way, this is not proposed legislation.

Mr. Hobson: So if you have a plan with members all across Canada and you have a portion of your plan unfunded, are your premiums going to be based on the total amount of the unfunded liability or only on the portion of the unfunded liability that relates to Ontario service?

Mr. Chairman: Well the act, which I don't have in front of me, might give more detail on that.

Do you consider the problem that the guarantee fund, as general as that statement is, set out to solve, is a problem at all?

Ms. Vincent: I don't think we have had any demonstration that there is a need for a pension guarantee fund unless you have information that we don't have. I haven't seen a need.

I think my other concern would be that if there is a problem and we need this thing, I would hate to see it restricted to Ontario workers. I always like to believe that we, as a society, if we have a problem, solve it as a society.

Mr. Chairman: I see that point.

Mr. Ramsay: I would like to have that question answered by our researchers, Mr. Chairman. Has there been a case in any of the case studies we have had?

Mr. Mackenzie: Prestolite, as a start.

Mr. Chairman: Was Prestolite such an example?

Ms. Vincent: As I understand it, Prestolite did have an unfunded liability but the Eltra Corporation in the States agreed to pay all the money that was necessary and therefore no one really lost their benefits. The employer stepped in and paid.

Mr. Mackenzie: They didn't just step in. That didn't come easily, let me tell you, in Prestolite's case.

Ms. Vincent: Probably there was some dispute about it, but I can't imagine Eltra Corporation not wanting to do the right thing. Eltra would be under ERISA and I am sure they couldn't get away with not meeting the liabilities of a Canadian subsidiary.

Mr. Mackenzie: I think you also want to check whether the agreement on the pensions was in Canada. They did it in the States but I don't think they did it at all in Ontario. I know even there there was one hell of a fight over it.

Mr. Hobson: No one can argue against any type of legislation that is going to guarantee the worker his benefits in the event of plant closures or failures or bankruptcies or whatever. What bothers some of us is that unilateral action on the part of Ontario is only going to bring other pressures with respect to other employees and especially until we know how our premiums are going to be assessed, if you have unfunded liabilities, whether it might definitely be to your advantage to have just your Ontario people separated, if Ontario was going to base your premiums on your total unfunded liability rather than just on that portion that relates to Ontario members and Ontario services.

Mr. Mackenzie: Maybe the other provinces would all follow suit and you wouldn't need to split your plan.

Ms. Vincent: It doesn't look like it.

Mr. Hobson: You haven't talked to the other provinces about that.

Ms. Vincent: The other problem with these things too, and I guess this is where we are at quite a disadvantage, say the pension guarantee fund would cover people whose plans were vested and the assets might not meet the liabilities, that would be very interesting, but until we know what the vesting is going to be-we really don't know because we don't have the report and Ontario hasn't changed the regulations in a long time-we honestly wouldn't be able to say whether it was good or bad, because if the vesting became immediate and you were going to have to pay insurance on the unfunded liability for employees who were 22 years old, that would be so unruly.

If the basic underlying problems were looked at before we decided what correction was needed, I think we could answer the question better if we knew whatever they had in mind.

Mr. Chairman: I understand your earlier point, then, about the timing of the guarantee fund, which was as much concern.

Mr. Hobson: The act says that it is for the vested portion. Vesting right now is 45 and 10 and the people we were talking about earlier still aren't protected. So you haven't corrected the problem.

If you turn around a year from now and make vesting immediate, you would create in just about every fund in Ontario an unfunded liability. Everybody would be liable for--

Mr. Martel: Why would it be a problem? That goes back to the question I was attempting to get at. Maybe my understanding is wrong, but if a certain percentage of my wage is withheld and I am starting to contribute towards that vesting from day one, I fail to understand why it would cause such havoc.

Ms. Vincent: I think because pensions work backwards. When they were trying to determine how much money to put in that fund, they would take a look at what they were trying to accomplish when you were 65, not what they are trying to accomplish today. They would probably do the employees by age category. So you need more for the older employees who are closer to retirement and you really don't need anything for the younger employees.

It isn't as if they sit down and do it on a one-on-one basis; they do it on various--

Mr. Martel: The assumption is wrong, then, is it not? The assumption is as someone gets closer to it you contribute more on his behalf. It should be that we contribute from square one.

Ms. Vincent: It may or may not be a good idea, depending on the older employee. It is a different style of plan.

Interjections.

11:50 a.m.

Mr. Chairman: Mr. Van Horne is next on the list.

Mr. Van Horne: I have been patience personified. I have a very short and simple question and then I will gladly see you go back to this Martel theme.

As representatives of Canadian pension fund managers perhaps you can help me out here. I have got the impression that you are not sure whether you want to be led or want to be leaders. I am just wondering how receptive you feel the industry would be to reforms that might be suggested by the royal commission without accompanying legislation compelling you to introduce such measures.

Let's say they came out with a dozen major recommendations. How willing would your group be to go ahead and see these implemented without regulation? You say in one breath you do not

want regulation, and in the other that we seem to be needing it. How would your group react? Would they be prepared work out the recommendations, whatever they might be?

Ms. Vincent: Mr. Lazar did a federal study and it was interesting to see some of his regulations and the things he would have liked to see happen. They were far less generous than many of the plans are right now.

Naturally one of the easiest things to do would be to follow, to the letter of the law, anything that was put in. It would probably be less expensive for the sponsors to do that. But if they had a better plan, I think probably they would be reluctant to make it worse. Or if they had a plan that was very new and they had not had time to put in all the things they wanted and they could not afford to do so, they might resist change.

I still think it would come back to sitting down and determining what you can afford. For the most part, I would not think any recommendations we have seen or any legislation is any more strict--

Mr. Van Horne: Keep in mind, recommendations and legislation are often years apart. Whatever comes out sometime in 1981 may not become legislation until God knows when. The question is, if there were a handful of major recommendations, how willing would your group be to see them implemented without regulation?

Mr. Hobson: To go back, I hope, and I will say it again, that we have not left the impression that we are opposing regulations. What we are opposing is lack of uniformity in legislation.

As an example, Saskatchewan and British Columbia, as of now, have given to their family courts the right to legislate a portion of a benefit to a divorced spouse. That means that if a man, a member of a plan in Saskatchewan, gets divorced, the family court says in the event of his death his former spouse will get half of whatever the benefit was.

The man moves to Ontario, starts living with a lady and he dies. Your law says the full benefit has to be paid to the common law spouse. The Saskatchewan law says a portion of the benefit has to be paid to the former spouse. You either break the Ontario law to keep the Saskatchewan law or the Saskatchewan law to keep the Ontario law. If you paid both, you would break the federal law that says you are not allowed to use money other than what has been accumulated in accordance with your actuarial evaluation.

It is that kind of problem that we see being multiplied across the country. That is the kind of legislation we do not want, but we are not against legislation.

Secondly, I think one of the dilemmas here today, and I originally was going to put it in my opening remarks, is I don't think you can discuss pensions intelligently any more than you can discuss politics intelligently, because it is such a broad subject. There are some pension plans in Canada that are really

nothing more than money accumulations, where everybody puts in so much money, the boss puts in so much, it sits in there and it earns interest every year and you tell the man, "Now you have got \$8,000, now you have got \$10,000."

There are some plans where there is a benefit for the spouse if a man dies after retirement but nothing if he dies in service. There are some where you get a benefit for the spouse if he dies in service, but he can elect not to have a benefit for his spouse at time of retirement.

You have plans that pay death benefits and some do not. You have plans that pay benefits to children. One of my problems here with the gentleman who wanted to divide the number into the total was the fact that in our plan, as I said earlier, we pay a lot of children \$50 a month because their fathers died and they are going to school; they get this little cheque every month.

Mr. Mackenzie: Are they part of the 900?

Mr. Hobson: Yes; there are a lot of them.

When you say pension plans, what are you talking about? Are you talking about a very complex plan that provides spousal benefits, children's benefits, death benefits, disability benefits? Or are you talking about a very simple plan where people are just putting the money in the bank and you just want to be sure that when the man retires or leaves the company he gets his fair share?

In a plan that is very complicated and has things like disability benefits, part of the money that has been withheld has disappeared. It is like insurance premiums. If you don't get disabled, it goes to the man who does. It is a pooling, and if you have a lot of that pooling aspect, it is hard to protect. Whereas, if you just keep it in separate pockets for everybody like a money accumulation, it is very easy to protect.

I think that is part of our dilemma here today. When we talk pensions I am not sure that we really all, in our minds, are talking about the same thing.

Mr. Van Horne: If I could just pursue it for another moment, I am not sure that I have an answer. What I am concerned about is you and the people that you represent as an organized group, and your willingness to try to bring about change without regulation, I think that is a concern that maybe could never be answered.

Mr. Hobson: Maybe I can respond this way. Most national plans—I am speaking now only of plans where the employees are in more than five or six juridsdictions—are now operated in accordance with the toughest legislation in Canada. In other words, Manitoba said that in the event of severance of employment, within 90 days you had to supply an employee with a statement of his pension and what he had in the plan.

That is now being done whether the man lives in Newfoundland or in Manitoba. The plans were prepared to do that. In other words, they did not turn around and write specifications saying "We will only do that for the people in Manitoba." They said, "We will do it for everybody." I think that indicates a willingness to conform and to do what is right by your members. I think that a lot of plans would.

On the other hand, let's face it, I know there are no bad politicians, but there are bad employers, and there are going to be some plans that are not going to do any more than they have to. We would like to think that none of them is a member of our association. Maybe they are members. I can only say I think you either have to try to find an average, which is sometimes very difficult, or speak on behalf of the good employer.

Mr. Van Horne: This morning we have touched on some fairly basic themes on the one hand, and got some specifics on the other that have sort of taken us all over the ball park. Sticking with a very basic concept such as earlier vesting, if that is one of the recommendations that comes out of the royal commission, how willing will your group be to act on that without regulations for disclosure?

Mr. Hobson: That is the whole thing. I am sure that you do not realize--obviously you do not realize--how many plans in Canada already have tougher vesting than any province asks for. Our plan and a lot of plans have written into our specifications tougher vesting than is presently required by any jurisdiction in Canada, and that is true of a number of plans of our members.

It is the same for disclosures. As I said earlier, we started disclosure in 1971, as did many other corporations. It was not required by any jurisdiction, but the minute the Department of National Revenue said that the funds had to be held separately and accounted for separately, then people started to disclose.

12 noon

Up to that point it was very difficult to get a picture on what your fund was anyway, but once you had it separated out, it was easy and a lot of people started to disclose. That was four years before Manitoba made it mandatory. So I think a lot of people are already ahead of legislation.

Mr. Van Horne: I guess if I could add something, in parenthesis, to your answer, you would likely then to be willing, as a group, to encourage whatever might come as a recommendation.

Mr. Hobson: In pension management, as in everything else, there are going to be some pacesetters who are going to be out in front doing better than they have to do, and there are going to be some people at the back dragging their feet. Our concern is so often it seems that legislation is always directed at the people dragging their feet and everybody gets accused of being like that.

Ms. Vincent: To answer your question a little further, I

also think that part of it will depend on what happens at the negotiating table. Many plans are negotiated, and if a particular union doesn't look to those recommendations and if the employees aren't prepared to sacrifice in other areas in order to meet earlier vesting--because there is only going to be so much money to go around and it will have to be distributed differently--if they say "No, we don't want survivor benefits," for example, then even if it's a recommendation until it is law, I would suggest we wouldn't have them because it isn't really--I think it looks as if the management of the company sets pace on all these things. They don't necessarily. They have to respond to the various groups around them.

Mr. Hobson: I would say that the portion of our membership that we have the most difficulty with is the negotiated plan, and it's the union, often, that gives us the problem, especially on disclosure. They say they are really frightened if they have to start telling their members what it is that they think they have and they don't have, and that they don't know how to handle it. That's a problem in negotiated plans. As I said earlier, some day some jurisdictions are going to have to write special legislation for negotiated plans.

Mr. Van Horne: I'm finished. Thank you.

The Acting Chairman (Mr. Ramsay): I have Mr. Williams on the list and we would like to conclude no later than 12:30. Is there anybody else who wishes to speak in addition to Mr. Williams?

Mr. Williams, go ahead.

Mr. Williams: You have highlighted the main problems, the questions of standardization or lack thereof, portability, disclosure and so forth. I guess really the major one is the standardization or lack thereof. I gather your association made one, if not more, representations to the Haley commission, dealing with the standardization problem?

Ms. Vincent: We did as a group and individually.

Mr. Williams: You have, by way of illustration, mentioned several of the provinces on more than one occasion this morning, highlighting in particular Saskatchewan and Manitoba, and you made reference to Quebec as well. I don't expect you, for the benefit of the committee, to give us what the differences are in each jurisdiction, but I am wondering whether you could elaborate on the basic differences that you are experiencing between those provinces that you have alluded to as far as they affect private pension funds such as the ones you may be involved in.

If I might just add one further thing, I thought you had said that Quebec's direction is one that is giving you particular concern. I may have misread that, but I thought there was some particular problem that was confronting your industry because of the fact that they are moving in an entirely different direction from the way Manitoba and Saskatchewan are moving but I may be mistaken.

Ms. Vincent: I think that was just a comment, that naturally Quebec were going their own way because they tend even in the public plans to go their own way. No, I don't think their new legislation is causing us any problems at all. It was quite fair, quite easy to deal with.

Mr. Williams: In making submissions to the Haley commission, did you put forward some form of written summary of the basic differences as they affect the private carriers such as yourselves?

Ms. Vincent: We have a book though. We have a book on the subject. It has over 100 pages. It lists all the differences between the provinces. That's how many and we had to write a book on it.

Mr. Hobson: There weren't many differences when the Haley commission was appointed. This is part of the problem.

Ms. Vincent: It is a joke.

Mr. Hobson: When the Haley commission was set up, there really was basically uniform legislation in Canada. It was the Ontario legislation and since the Haley commission was set up and hasn't issued its report, then all of these other provinces have stepped in and made piecemeal adjustments to their own particular plan.

There are six basic provinces and to give you an example, we have to submit an annual report to Ottawa plus six provinces, because each province requires us to submit a report of our pension program, even though we are registered in Ontario. That's Quebec, New Brunswick, Ontario, Manitoba, Saskatchewan and Alberta.

New Brunswick is the easiest one. It just requires an annual report and their legislation is the same as Ontario's, so there are no differences.

Mr. Williams: New Brunswick?

Mr. Hobson: New Brunswick, yes.

Quebec doesn't present problems but it does have disclosure requirements that are different than the disclosure requirements of Manitoba. Those are the only two provinces at the present that have specific disclosure requirements. Manitoba's is the strictest disclosure and so therefore most plans disclose to everybody what is required by Manitoba law.

Mr. Williams: The strictest, in what sense? They need more information than anyone else?

Mr. Hobson: More information. Whereas Quebec only requires disclosure to be made once every three years, at the time of an actuarial valuation, the Manitoba plan requires it on an annual basis. Manitoba requires that you have to show the amount of dollars that the employer has put into the plan in the 12-month

period being disclosed and that's not required by Quebec law,. so Manitoba's disclosure is the stricter.

Ms. Vincent: I think you have to have a breakdown of the liabilities in Manitoba too.

Mr. Hobson: You have to show what is unfunded and you have to show what is funded.

British Columbia have no pension legislation as such but they have family law requirements, as I said earlier, that allow the courts to assign a portion of a pension to a previous spouse and so that affects your plan if you have members in British Columbia and that is also going to be the problem in Saskatchewan. That goes into effect on July 1 this year.

I suppose the other thing in Saskatchewan that has a lot of people concerned is that Saskatchewan are saying that when an employee changes companies he's entitled to some cash. In other words, they are actually giving less vesting protection to the employee that changes companies and allowing him to change, if he moves from one company to another, that he will get some cash in his hand to go out and buy a car. It's what they call relocation money and that has a lot of people concerned.

Mr. Williams: Is that on a formulated basis?

Mr. Hobson: Yes.

Ms. Vincent: I think Quebec has also changes in the QPP.

Mr. Hobson: You can't reduce a benefit as a result of stacking the QPP after 1975.

Mr. Williams: Has British Columbia legislation pending?

Mr. Hobson: I don't know. The British Columbia situation is as confused as the Ontario situation.

If you talk to one party in British Columbia, they tell you it's written and it's not being released because they want to wait and see what Ontario does. If you talk to another party in British Columbia, they tell you that it isn't written because they can't agree as to the form the legislation should take, so I don't know.

But they have had a committee--I don't think it's called a commission; I think it's called the pension review committee--operating for about two years, but nothing has been presented to their Legislature. They say they are going to and, as I say, I think probably it is true that they are waiting for the Haley commission.

12:10 p.m.

Ms. Vincent: I would tend to agree with that because members for that province phone me the most regularly to say as soon as that report is ready they are coming down to the meeting.

We get a lot of response from our members there. I think they are waiting.

Mr. Hobson: It is an interesting position because they are one of the jurisdictions with some very large plans registered in their province that are not registered at the present time, other than with Ottawa.

In other words, you have some fairly large pension plans operating in British Columbia where the company's office is in British Columbia and therefore they are not required to register in a provincial jurisdiction because there is no legislation. I think they want to be sure that what they do meets the needs and the requirements of those particular plans and they are not too concerned with plans like ours which has only six per cent of our membership in that province.

Mr. Williams: There has been some criticism put forward today In anticipation of the fact that once the Haley report comes out it will probably take anywhere from a year to three years to enact legislation because those affected by the report would want to have an opportunity to have a forum for responding to that report.

It seems to me that is probably an accurate time assessment but I don't know if it is something one should be critical of. I would think the industry at large and the many sectors in our society that would be affected by such a broad report with, I presume, many significant recommendations, that indeed the opportunity would want to be made available to people like yourselves and others to respond to it. I could well see legislation wouldn't be forthcoming until 1982 at the earliest.

Ms. Vincent: There is a national meeting too that is being held. I know we are all very anxious to have the Ontario report at the national meeting. The federal government is holding off that meeting until they get Ontario's report, so it is important for them to have it. At that national meeting we are hoping to iron some things out.

Change on the recommendations might be faster in a way, because not just Ontario, but a number of the provinces have been waiting for direction. They might well do it much more quickly.

Mr. Hobson: I would hope that the report would have in it some specific targets for the pension industry so that other provinces' plans could actually start changing their specifications and bringing them in line with those targets, even though Ontario may not actually pass the legislation until 1982.

Mr. Williams: Do you mean targets involving time parameters?

Mr. Hobson: Vested, to say that the recommendation is the best and to be brought into line. The specific legislation may not be passed until 1982 but a lot of plans could then immediately start changing their vesting laws and specifications so that they would be in line by the time Ontario passed the legislation.

Mr. Williams: From your particular point of view in the capacity in which you appear before the committee, I presume your association would welcome an opportunity to be able to formally respond to that report with recommendations, given a reasonable period of time to do so. I presume that would take more than a few weeks, allowing for the fact so many different interested groups would want the same opportunity that we could well go into the fall.

It would probably be a year this spring before we got into legislation. I don't think that would be unrealistic. I don't know that one would want to be critical of those time parameters. If it could be done faster, great, but realistically I don't see how it could be, allowing people the opportunity to respond. To my mind that is important. I just want to know if you agree with that.

Ms. Vincent: I would think it will depend. The federal government study called the Lazar report received very little response. Basically, it will depend on what kind of job the commissioners have done. If there are things in the nine or 10 volumes that are very, very valuable and can be acted upon, that will be fine. The value of the report, the type of report will have a lot to do with it. It should be good, though, the commissioners having worked very hard.

Mr. Williams: I had heard too that there is very little response to the Lazar report. Why? Do you see any reason why there should have been so little apparent response to that?

Ms. Vincent: One unfortunate part of it was the timing. It took everyone so long to get it that in many cases some of the excitement that surrounds a report was missing. That could cause the lack of response. It could also be that he presented his report in such a way that there weren't any recommendations in his options for change. So if you just list the options, it was very hard for a group to respond to options. Recommendations would be easier.

Mr. Hobson: In the report it too often said, "We are going to have to do this or this or this." Then when one got to the next part of the report, in the light of each of those one had three more options and that gave one nine.

Mr. Williams: It was too open-ended to let you get a handle on it.

Ms. Vincent: One of the options for improvement might be to have mandatory survivor benefits. Another option might be earlier vesting. Surely, if you have survivor benefits, you are not going to not protect the spouse and put in earlier vesting. The report didn't really tie together well enough. It was a good report, though. It was the first of its kind and I think he did a good job.

Mr. Williams: Just one further question. You have indicated you did make representations to the Haley commission. I

am sure you went into it in much greater depth than what we are able to address here today. Were there any other features of your presentation put forward that day that we may have barely touched on today or not addressed at all, or have we pretty well covered everything essentially you covered there in greater detail?

Ms. Vincent: There was a slight timing problem with the Ontario royal commission. A lot of groups didn't have a great deal of time to prepare a good brief as you will recall, in the relatively short period of time. At that time we decided to address one problem as opposed to trying to address all the problems. We concentrated largely on that of coverage for all Canadian workers. We believed that was one area where we could contribute some concrete thoughts and suggestions.

Quite frankly, in the other areas we tended not to address them. We dealt strictly with the 50 per cent or so of the workers who aren't covered.

The Acting Chairman: Thank you very much, Mr. Williams.

A very special thank you to Ms. Vincent and Mr. Hobson. I am sure the other members of the committee join with me in thanking you for what has been a very interesting session. You have cast considerable light on our deliberations and we are indebted to you.

The committee recessed at 12:20 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, JANUARY 6, 1981

The committee resumed at 2:14 p.m. in room 228.

MANPOWER CONSULTATIVE SERVICE AND UNEMPLOYMENT INSURANCE COMMISSION

The Acting Chairman (Mr. Van Horne): I apologize for the chairman's absence. He has been delayed because of the weather and I am sitting in not only his absence, but in the absence of the vice-chairman, who cannot be with us today.

This afternoon we have Mr. Norman Allison, the director of the manpower consultative service, Ontario region--I would ask you please, Norman, to take a seat where you are now located--and also Rod Webster, support programs system and analysis, Unemployment Insurance Commission.

I thank you for joining us today. I understand that you don't have what we could call a formal presentation, but rather you are here to act as resources for us. Perhaps you do have a statement you would like to make at the top. I turn it over to you, Norman, if you would care to kick it off for us, please.

Mr. Allison: Mr. Chairman, I notice there are ashtrays here; presumably it is acceptable to smoke.

The Acting Chairman: Yes indeed.

Mr. Allison: As I said to you earlier, Mr. Chairman, 1 felt that the approach I would take would simply be to make a short opening statement regarding, specifically, manpower consultative service, why it is in business, what it does and this sort of thing, and if there are questions then related to the unemployment insurance, Mr. Webster, of course, would handle that aspect of it.

The manpower consultative service was formed back in 1963 under something called the labour mobility and assessment incentive regulations. At that time it was in the Department of Labour because, as you know, the Department of Manpower and Immigration was not formed until 1966.

Initially, the only mandate that the service had was to deal with the manpower dislocations or the impacts of the introduction of technological change. Out of this we became quite successful at something we refer to as associate placement and as a result, when the plant closures, the mass terminations and so on started coming back in the mid-1960s, the mandate of the manpower consultative service was expanded to include this aspect of manpower dislocation.

Subsequent to that the mandate has been expanded to cover pretty well any kind of a change that is going to have some sort

of manpower implications: employment-threatened kinds of situations; expansion situations; relocation situations, these kinds of things. We are even, to some extent, doing a bit of work in the quality-of-work-life field and this sort of thing, but that is not all that relevant to this particular hearing.

The way that MCS operates is that when we become aware of a situation of change, we approach the employer first of all because in most instances they have either caused the problem or they have made the decision to close the plant, lay the people off or whatever. I will pretty generally confine my remarks specifically to the mass termination layoff kind of situation as opposed to some of the others.

We propose to the employer that he form, along with representatives of his workers, a joint consultative committee, and if there is a union involved, of course the union, as the certified bargaining agent, must also be, a party to this joint consultative committee.

In addition, while the committee would have equal representation from both the management and the representatives of the workers, there is a chairman who is not affiliated with either the company or the workers. The term "nonaffiliated" is rather important in that the purpose of the committee is to enter into joint consultation to assess the implications of the problems, jointly devise the solutions and jointly implement the solutions to alleviate the problems.

If one uses the normal kinds of terms or jargon that one comes across in labour relations, one immediately moves back to the adversarial kind of role that the parties are most accustomed to and one does not have joint consultation in the sense that it works as well as it should do.

The whole thing is put together under a manpower assessment incentive agreement which first of all provides for the formation of the committee, the appointment of the chairman and so on. Secondly it provides for the incentive, which is normally 50 per cent of the costs of the committee from the commission and it provides for the method of repayment and this kind of thing.

2:20 p.m.

Joint consultation is not something that people normally undertake except when they have tried a lot of other things first and have found that they did not work, or when they are under some kind of external pressures to sit down and jointly discuss the problem with representatives from the opposite side. This cuts both ways. It is not necessarily a management problem or a union problem. The resistance to joint consultation can come from either side.

The manpower consultative service officer in the first instance promotes the program, assists with getting the committee established and gets the agreements signed and so on. After this is accomplished, the next phase of the operation is getting the

case under way. It is the responsibility of the officer to supervise it.

One of the basic tenets under which we operate is, in the first instance, that it is the responsibility of the private parties to develop their own programs to assist the people who are affected by this change. The government programs that can assist or supplement the program that the private parties have developed can be brought to bear. Here the MCS office--I guess it becomes one of his more important roles, having got the case under way in the first place--co-ordinates the application of other government programs which will supplement and assist the workers in their transition from one job to the other.

In the layoff situation, you were primarily looking at the mobility aspects of the Canada manpower adjustment program, the training aspects under the Canada manpower training program or the Canada manpower industrial training program. There is, in some of these situations, the notion that perhaps a group can be formed, a corporation set up, which can purchase the assets of the corporation which is closing. Here again we can assist with funding to do the feasibility studies, this kind of thing, assist in the co-ordination of government programs that provide funding and so on for these kinds of endeavours. The essential role of the officer at this stage of the game is one of co-ordinating the application of government programs.

In all these endeavours we are very closely associated with the employment adjustment service of the employment standards branch of the Ministry of Labour. The minister is a signatory to all the agreements we develop. He participates to the extent of 25 per cent, maximum \$1,000, in all agreements where the employment standards legislation is involved. In special circumstances the minister will participate even further than has been stated.

The exercise that the committee would go through, specifically in the closure situation, is one of, first of all, identifying the people who are terminated or about to be terminated, as the case may be, identifying through the circulation of questionnaires the people who would wish the assistance of the committee, identifying the occupational skills that these particular people have, any preferences that they may have as to future alternative employment, this kind of thing.

While this information is being gathered, arrangements will have been made with the local Canada Employment Centre and the unemployment insurance office to have the people registered for benefits and so on.

Additionally, a list of employers will have been developed. Depending on the size of the case, that could range anywhere from 15 to 25 employers. These will be approached first by letter, followed up by a call from possibly one of the management people, possibly the chairman, and one of the union leaders, the chairman or whatever, to explore the possibilities of placing people in this particular operation.

When you have exhausted that, you move on to a larger group

of employers and, as they are exhausted, you simply keep expanding the operation outwards.

Along with this the questions of early retirement, retraining, relocating to another part of the province, country, whatever, are also being explored. The question of certain talents perhaps arises, to counsel a person to try to get back into a trade that he may have started some years before and dropped for whatever reasons, these kinds of things would all be undertaken with a view to getting the person adjusted back into the mainstream of the labour force again.

There is nothing compulsory about the application of the program. It is certainly our view in the manpower consultative service that the joint consultation does not work that well under mandatory provisions. Yet, it can be noted that in Quebec, where there is the provision in the labour legislation that the minister can require the establishment of a manpower adjustment committee, with just the fact of the legislation there, there has never been a requirement to invoke it. Generally our experience is that when it is compelled, you do not get the genuine consultation that you find when it has been genuinely, freely and voluntarily entered into.

I think that I would like to stop at this particular point. I notice from your interim report that you have identified a number of concerns. I will be happy to give the best answers I can to any questions that your members may have.

The Acting Chairman: Thank you, Norman. I am wondering if Rod would have some opening comments. We could leave the rest of the time to the committee members to question either or both of you.

Mr. Webster: Thank you, Mr. Chairman. The role of unemployment insurance comes into effect after the closure, at which time people would have filed for unemployment insurance benefits. We would provide temporary financial assistance during that period of unemployment. A maximum of 50 weeks' benefits could be paid. With a plant closure, severance pay would not be considered as earnings and would have no effect on the entitlement to benefit, whereas wages in lieu of notice would; they are considered earnings.

Mr. Mancini: That is across the board in every case? Have there ever been any circumstances where notice has not been considered wages? For example, if a particular industry was closed down without notice, and then it took several months to go through all the wrangling before pay in lieu of notice was given and workers already would have applied for UIC benefits, would you go back and take it back from them?

 $\frac{Mr.\ Webster}{A}:$ There is a case like that at the current time. A final decision has not been made on the case. However, at this moment they are considering it earnings.

The Acting Chairman: I am sorry, they are considering it as--

Mr. Webster: It is considered as earnings.

The Acting Chairman: I see. We interrupted you. Would you carry on, please?

Mr. Webster: That is about all I have at this moment unless anyone wishes to question further.

Mr. Cooke: I come from Windsor. I want to know what your department does when there are mass layoffs such as those a city like Windsor, where it is very difficult to find jobs. Any jobs that are going to be found are going to be relocated throughout the province.

I would also like to find out from the unemployment insurance people how long it is going to take if there is to be a government reaction. I am sure you are aware of the change in the requalification period from the 10 weeks that it was previously because Windsor is a high unemployment area. It now requires 16 weeks to requalify for UIC in our area.

If that is going to be changed, how long would that type of change take to implement? I believe it would have to be an order in council in the federal cabinet. Is that being examined and is there any recommendation from the Ontario division coming forward to the cabinet?

Mr. Webster: To respond to the first question, I think what you are actually saying is that they want the Windsor area as a separate economic region. I do not know the latest status on that request. What I could do is to find out the latest status and report back.

Mr. Cooke: What bothers me is that I am on the mayor's committee for services to the unemployed. A while back the federal minister announced that there was going to be something like \$500,000 put in to create jobs in Windsor so that those people who had run out of UIC benefits could work 10 weeks and then requalify for UIC. That money hasn't even been spent. Very few people have qualified under that program and the ground rules have been changed now to make it 16 weeks. So that money was expended in a way that didn't particularly help people to requalify for UIC.

What exactly does your department do when a city or a region is struck by massive layoffs because of a downturn in a particular industry in order to help the area cope with what we hope will be temporary unemployment? I think Windsor is a good example. What exactly are you doing? I have been looking for a year and I haven't seen much manpower adustment.

Mr. Webster: To respond to your first question, Mr. Cooke, about the situation in Windsor--and I am speaking now as the director of manpower consultative service, not in the broader context of the executive director for Ontario region or something like this--we took a very selective look at the thing. There were a number of factors involved there, not the least of which were the supplementary unemployment benefits, which normally militate against the establishment of joint committees.

I think that the initial point you made is the essential one; that with the massive layoffs that took place in the Windsor area over the past year or so, the chances of re-employment in Windsor, adjustment committees or no, were literally zero. There was therefore no particular point in going through the exercise. There was no particular point in trying to raise expectations where there was no hope of employment in the Windsor area.

The same situation, as you probably are aware, prevails in Chatham at this very moment. We are now examining some moves there with a particular company, going on a very exhaustive counselling basis that if your decision is that you must have re-employment immediately, we can assist but we cannot assist you in Chatham because the work is simply not there.

The job creation aspect that you raise in terms of Windsor--and I am aware of some of the strategies that I suppose they attempted to implement; I am not fully knowledgeable of them. I would be prepared to supply an answer in writing on where they are at exactly now because frankly I do not know at the moment.

Mr. Cooke: It just seems to me that what happened was that these massive layoffs were predicted. We knew they were going to happen. We couldn't get statistics from your department for projections about when people's unemployment insurance was going to be running out. It took a good five to seven months to get those statistics from the computer in Belleville so that we could do some local planning.

It just seemed that your department was completely immobilized and couldn't cope with the situation that exists in our area. That's why I raise it. Because there is no overall planning. There is no agency to do the overall planning and assist a community. If it is supposed to be your ministry or your department, you were incapable of doing it, and I think Mr. Sleziak and others in the Windsor office would testify to that.

Mr. Allison: I am not about to testify to that statement or support it.

Mr. Cooke: It is a fact about the statistics because we had to write several letters to get the statistics. The mayor's committee and Mr. Sleziak attempted to get them, but we could not get projections from your department for when people were coming off the UIC rolls and going on to the welfare rolls. The municipality and the social planning council need that kind of information available for local planning when a community is struck by massive unemployment.

Mr. Allison: You have me at a very distinct disadvantage because I don't know whether you were able or you weren't able. I will accept your statement, however, but I just don't know because unemployment insurance is not within my sphere of influence.

Mr. Cooke: I have been frustrated over the last year because I feel that it's your department that has the overall responsibility for co-ordinating manpower adjustment and putting in interim programs to assist an area like ours. We haven't been

able to get any kind of clear-cut decision from your minister and I realize this is a policy decision and therefore you can't really comment about transitional assistance benefits. We have got nothing from the government on that and then we seem to have a federal government that is completely immobilized and can't even change the district for unemployment insurance in order to assist people.

Mr. Mancini: You know that's not true.

Mr. Cooke: It is true. The federal member for Windsor-Walkerville, Mark MacGuigan, has said locally--

Mr. Mancini: Are we here to hear political rhetoric or are we here to hear Mr. Cooke ask questions?

Mr. Cooke: Maybe you would shut up and let me finish.

The Acting Chairman: Mr. Cooke has the floor.

Mr. Mancini: We are to ask these gentlemen questions. That's what they are here for. They are not here to hear you make campaign speeches.

Mr. Martel: You do that when the Tories are being harangued.

The Acting Chairman: Mr. Cooke has the floor.

Mr. Cooke: The statement has been made, and that's why I asked, by one of the local members of Parliament in our area that it would take at least a year to change the district, to separate windsor from the Sarnia area for unemployment insurance and I asked earlier what the process was and when a recommendation would be going to the federal cabinet in order to separate us out.

Mr. Allison: I can't answer that question.

Mr. Webster: As I indicated before to that question, I will get you something in writing as to the length of time it would take in the current status of that request.

Mr. Cooke: Has any ground work been done on that? I mean the rationalization for the separation is very clear, that the petrochemical industry predominates in Sarnia and that's where the unemployment is low and auto workers are not easily transferred from auto assembly lines to the petrochemical industry. It is kind of ludicrous that we were ever put in one area but now that the problems have resulted, has there been a recommendation? Has any of the ground work been done in order to have the change made?

 $\underline{\text{Mr. Webster:}}$ I know it is under consideration. As I say, I will get the status of the request.

Mr. Mackenzie: Would that not be one of the roles that the manpower consultative service would be responsible for? Would you people, not recognizing the unemployment situation in the district, with it really being split between Sarnia and Windsor, not be making a recommendation that the district ought to be

changed and did your committee make such a specific recommendation or do you feel that you don't have the authority?

Mr. Allison: The history in Windsor is that initially we made approaches to the mayor's committee, offered assistance and so on, including 50 per cent of the cost of operating a committee. It's the only vehicle manpower consultative service has to get into the situation. If this offer is rejected, then one has to go some other route which is beyond my authority, my responsibility-

Mr. Mackenzie: As you see it, manpower consultative service did not have the authority to recommend a change in the district.

Mr. Allison: We didn't have the opportunity. The mayor's committee elected to do their own thing and I am not offering this as a criticism. I am offering it as a fact.

Mr. Mackenzie: You have got a key role or should have a key role to play. Do you mean it's not within your authority to have made that kind of a recommendation as well?

Mr. Allison: I would say not.

The Acting Chairman: I wonder if I could get back to the line of questioning but still follow what Mr. Cooke and Mr. Mackenzie are after. Who, in your opinion, would be the proper person or body to make such a recommendation?

Mr. Allison: These would be the people in the policy making field and I am an administrator, not in the policy making field.

Mr. Cooke: Who is that and who is tuned in to the Windsor area to make recommendations along those lines? It is not the mayor's unemployment committee. The mayor's committee was not consulted by the federal government on the changing of the districts. The changes were made as soon as the unemployment rate for the district went below the magic level of what--12 per cent, is it for three months in a row?

Mr. Webster: It is 11.5 per cent.

Mr. Cooke: It's 11.5 per cent. There was no consultation with local officials at all.

Mr. Allison: Whether there was consultation or not, I think that the--I am perhaps stepping into your jurisdiction here--this magic figure of 11.5 per cent is something that so far as I know is enshrined in regulations.

2:40 p.m.

Mr. Cooke: Is that the Statistics Canada figure?

Mr. Webster: Yes.

Mr. Cooke: When StatsCan reports its figures, for the

last four or five months they have indicated on their reports that these statistics are not reliable because the sample has been smaller than normal. It has been reported on radio and in the Windsor Star and in other papers that the sample in our area has been particularly low and therefore the margin of error is larger than normal. Even though those types of precautions were put on to the statistics they still use those statistics to eliminate the special provisions under UIC.

Mr. Webster: I cannot comment on the sampling or the method employed by StatsCan to obtain that statistic but it is the statistic that was--

Mr. Cooke: There is no flexibility in the regulations at all but there is no flexibility for the minister?

Mr. Webster: No.

Mr. Cooke: A final observation: The presentation you made when we began sitting this afternoon makes it sound like the federal department does a lot to assist individuals in communities when unemployment strikes, when a massive layoff takes place.

My community is an excellent example of a community that has been devastated by what amounts to an economic depression. Your department has been of no value at all in assisting workers. In fact, with the changes in regulations for unemployment insurance and the lack of action on transitional assistance benefits, if anything it has done more harm than good to us. More people have had to go on welfare than should have had to go gone on welfare.

Mr. Webster: Maybe I could comment on a program that was implemented during July. It was a program whereby four to five weeks prior to the exhaustion of an unemployment insurance claim the person received information from the computer as to reported earnings, weeks of employment.

From that we try to ascertain if the person would requalify for benefits. If it was felt the person would not requalify for benefits, they were invited into the office to apply and were provided with assistance in trying to find other employment. Through doing that we have made a special administrative practice to invite the people in and advise them of exactly their entitlement to benefits and to try to assist them in becoming re-employed. We found the majority of people have requalified for further benefits. That is an ongoing program.

Mr. Ramsay: Mr. Chairman, I would like to start out with some very basic questions I probably should know the answers to but I must admit I don't. A plant closes. Under the Unemployment Insurance Commission what benefits are coming to an employee who is suddenly discharged?

Mr. Webster: If the person qualified for unemployment insurance benefits he would be entitled to receive 60 per cent of his average weekly insurable earnings for the last 20 weeks or less. That would be his benefit rate. He would be entitled to receive a maximum of 50 weeks of benefits.

Mr. Ramsay: Fifty weeks of benefits, at 60 per cent?

Mr. Webster: Sixty per cent of his average insurable earnings over the past 20 weeks or less.

Mr. Ramsay: Is there not a limit on that?

Mr. Webster: Yes. The maximum during the last year would have been \$174 per week. The maximum for 1981 would be \$189 per week.

Mr. Ramsay: Let us say that person went out and found himself another job and then wound up getting laid off again, how would he go about requalifying?

 $\underline{\text{Mr. Webster}}\colon$ I assume you are saying the person who was laid off from the company filed for benefits.

Mr. Ramsay: Yes.

Mr. Webster: Did he receive benefits?

Mr. Ramsay: Yes.

Mr. Webster: For a short period of time?

Mr. Ramsay: Until he found another job.

Mr. Webster: We will assume it was for a short period of time. What would occur then would be, after being laid off from the second employer, he would refile and, depending on any earnings paid on separation, he would immediately requalify. I am assuming that he had served the waiting period and had received benefits on the initial application.

Mr. Ramsay: I understand there was an amendment in 1972 where claimants were given a three-week, lump-sum payment at the time of the initial claim, but this was rescinded. Can you comment on that at all?

Mr. Webster: That was what was titled an advance payment of benefits. It was changed because it was found it was not advantageous to pay the people, 'the people were staying on benefits longer. The intent of that was to provide the people with income so they could go searching for work. This did not prove to be accomplishing that goal.

Mr. Ramsay: I also understand there were a number of studies made at about this same time or relative to that sort of a program. Could you describe the nature of these studies and whether or not it was established that there were disincentives to that sort of program?

Mr. Webster: I know the situation was studied. I have not seen the final papers on the subject. I couldn't comment on it.

 $\underline{\text{Mr. Ramsay}}\colon$ Have there been any studies of people who go on unemployment, exhaust their benefit entitlements and then wind

up re-establishing themselves in the work force or going on to welfare?

Mr. Webster: Yes. Studies have been completed mainly in the auto industry towns. What has been found so far is that the majority of people who have exhausted their claims do requalify for further benefits for another benefit period.

Mr. Mancini: May I ask a supplementary, Mr. Ramsay? When you say "majority," do you have a figure we could have?

Mr. Webster: I don't have a figure with me I could quote from.

Mr. Mancini: Do you mean a vast majority? Are you talking 75 per cent generally speaking?

Mr. Webster: The vast majority, yes.

Mr. Mancini: That also must include the city of Windsor.

Mr. Webster: Yes.

Mr. Ramsay: Let me get this straight in my own mind. The person exhausts his claim, then he will go back to work for a short period of time to requalify?

Mr. Webster: What happened with most of the claims that were reviewed was that the person established a claim. During that time he was on and off work. Then when that claim exhausted he had worked enough since the commencement of the previous claim to requalify to establish a new claim. In the auto industry it is cyclical employment.

Mr. Ramsay: What I am trying to get at is a question this committee has been searching for, the effects on a community. I am not referring to Windsor because that is set apart. The effects there are terrible, of course.

In other communities do these people who are laid off eventually get back into the work force? Do they go on social welfare? Have there been studies done by the commission to discover just what happens to these people?

Mr. Webster: There have been studies completed. Maybe they wouldn't have all the answers you are asking for and I do not have them with me to provide you with the answers.

Mr. Ramsay: Could we be provided with it?

Mr. Webster: I will attempt to get the information, yes.

The Acting Chairman: If you do, would you direct it to the clerk, please? Could I ask at the same time, are these all government studies or are there some university or private studies in there as well?

Mr. Webster: As far as I know, it would be government.

Mr. Ramsay: I have asked the union officials who were here whether they had done any studies on the economic impact on communities and so on and I am asking you this question in respect to your commission, but I would ask you from your own knowledge a little further to what the chairman has said, have there been any industries who have done anything of this nature or universities, or are you aware of any studies other than government studies being done?

Mr. Webster: I am not aware of any.

Mr. Martel: Mr. Ramsay and I are interested in the same thing, what is happening to people. How long do you follow a worker, a family or a community?

Let us say there is massive unemployment, a one-industry town. In your studies, do you track down what happens to a worker, let us say, for a two or three-year period to find out if he does relocate successfully and what the costs are to him in human terms, as well as in financial terms?

Is any of that work being done or is it just a short-term look-in to see where someone went? We got rid of him in one area; we had somewhere else and we forgot about him.

2:50 p.m.

Mr. Webster: As for the tracking system from the unemployment insurance point of view, it has just been more of a picture-taking exercise. It has not been a tracking system for two or three years.

Mr. Martel: In other words, we really do not know what happens to people as a result of massive layoffs.

Mr. Webster: I wouldn't really say that. Again, I am talking without seeing the detailed studies, so I wouldn't really want to comment.

Mr. Martel: But that is part of it. Might I just pursue that for a moment with Mr. Ramsay's indulgence?

The Acting Chairman: Mr. Allison wanted to supplement the answer too.

Mr. Allison: Go ahead.

Mr. Martel: What bothers me is the vagueness of the answers. I suppose there are certain things that you do not want to tell us, but there is a vagueness. Nobody seems to know what happens to people. We give him a number and we get rid of him. What happens to him does not seem to matter as long as we get him out It is like the welfare in my area. You give him a train ticket to get him to hell out of town and then he doesn't show up on your welfare roll.

Mr. Cooke: Then you get a 75 per cent turnover.

Mr. Martel: We have only looked at a book that was presented to us on workers. For example, in the United States, there have been a couple of studies which indicate that the suicide rate goes up and that the number of people who end up in mental institutions as a result of nervous breakdowns and whatnot are really quite devastating. But nobody ever wants to seem to undertake that sort of study which says to society: "The costs of a shutdown are bloody well expensive and it is no longer just a little worry. The thing is too complex to continue to go the route we have gone in the past."

A guy who would leave my area, for example, would walk away from \$10,000 on his house because he cannot find work in the area. He cannot even give his house away, so he drops his keys on the desk of the local bank manager. Nobody seems to worry about what happens to those people. Surely somewhere along the line we have to take into consideration the social costs, beyond the short term, of getting him unemployment insurance.

The Acting Chairman: That is really a major theme as much as a supplementary.

Mr. Martel: I think that is what Mr. Ramsay was leading to.

The Acting Chairman: I wonder if Mr. Ramsay would like to finish his questioning. After Mr. Ramsay are Mr. Mackenzie and Mr. Martel.

Mr. Ramsay: I think Mr. Cureatz has a supplementary.

The Acting Chairman: Mr. Cureatz, do you have a supplementary?

Mr. Cureatz: Mr. Taylor and I were just discussing that. I can appreciate some of the investigation in terms of what does happen to people, but I do not imagine you see an all-encompassing scope of every day in terms of what is happening to the individual. I think you are more centring on the economic terms, what is happening to the family, et cetera.

Mr. Martel: No, I think it goes a little further than that. You would have to determine what happens to a community because I think the costs to society are becoming prohibitive.

If a plant shuts down and the company walks away, the community does not have the type of income that is necessary to pay for the new school it has built or the new subdivision it has put in. Communities are affected and families are affected. We never seem to gauge the cost to the public purse, whether it is UIC, whether it is welfare, whether it is further assistance from the province because of a loss of revenue to the municipality. We are going to have to start looking at those total social costs to see if it is tolerable to allow those situations to prevail or to persist.

 $\underline{\mbox{The Acting Chairman:}}$ We should go back to Mr. Ramsay and let him finish his questioning.

Mr. Cooke: Mr. Chairman, there may be a study that the committee would be interested in getting. About 25 years ago, Ford Motor Company moved out of Windsor, losing 5,500 jobs to that area. The area that the company was primarily around was called the Drouillard Road area. A study has just been completed that goes through in quite good detail the problems in the Drouillard Road area now, which can be directly traced to the plant closing that took place 25 years ago.

They are attempting to change the community now. That is the area of Windsor which has the highest crime rate. About 50 per cent of the stores on Drouillard Road are boarded up and vandalism, as well as arson, is the highest in the city. This study was just released very recently. I just finished reading it a couple of weeks ago.

Mr. Ramsay: It would be interesting to see.

The Acting Chairman: I was just asking Mr. Jennings if he was aware of this. Would you like to direct a question to Mr. Cooke?

Mr. Cooke: I will show it to him. I have a copy of it in my office.

Mr. Ramsay: Mr. Chairman, I just have one final question. It may not be relevant to what we have been talking about and if you think it is out of order, you can rule it so, but it is something that bothers me. What percentage of claimants are represented by people who have quit their jobs or who were discharged--in other words, those people who may be using or abusing the system?

The Acting Chairman: Using or abusing the system?

Mr. Ramsay: Yes. Whichever term you prefer.

Interjection.

Mr. Ramsay: I did not mean it in that sense.

The Acting Chairman: I will let the question stand as it is a good one. It may be difficult to answer.

Mr. Webster: I'm sorry. Again, I cannot respond to the exact percentages, but we can do some research and I can provide that very quickly.

Mr. Ramsay: I would like to see that and also if you can translate that in terms of dollar cost as well.

Mr. Webster: That would be very difficult. In what perspective?

Mr. Ramsay: If you know the percentage of claimants, you would have a rough idea of the dollar cost, wouldn't you?

Mr. Webster: The dollar cost of?

Mr. Ramsay: Of providing coverage for this classification of persons.

Mr. Mackenzie: I just have a brief question, but it bothers me a little bit still. This question is on the role that the manpower consultative service can play.

I guess this is a sheet that you people left with us as part of your presentation. I see in the opening paragraph that you say, "The manpower consultative service is an operational agency of the Canada Employment and Immigration Commission, which encourages the assumption by management of the responsibility for the development and carrying out of private manpower adjustment programs to meet industrial change."

One of the current concerns--and given Mr. Gray's lack of mentioning it in any of the guarantees in his series of announcements it raised some serious questions about the number of jobs we will get at Oakville--was failure to mention the old engine plant that is still operating in Windsor. I gather from my colleague that 450 more were laid off there in the last day or two. I suspect that plant may be phased out totally.

I don't know if you know how many workers are still in there, but I know that those concerns and rumours are strong. They are strong all the way back to Oakville. What are you doing now in view of the very distinct possibility of losing several hundred more jobs in Windsor?

The Acting Chairman: Mr. Mackenzie, I'm sorry, there was a small noise out back that distracted and I am not sure if the rest of the committee got the full impact of what you just said. Do you mind repeating that question?

Mr. Mackenzie: What I am simply saying is that the old engine plant in Windsor that is still operating, although obviously with some fairly heavy layoffs, laid off another 400-and-some workers just within the last two or three days. The rumours are that is not being protected and when we take a look at what jobs we may or may not get at Oakville, one of the tradeoffs that we have not been told about is the additional work force in that plant.

You just don't know anything about it, even though, obviously, I have been phoned about it since December 17 or 18 and have been discussing it several times over the weekend and, again, when I was late for this meeting, with some of the people involved.

Are your people involved in this kind of advance planning? Do you know whether or not that is one of the tradeoffs? What are you going to do if you have X number of additional employees who are dumped on your hands? In other words, is your role one that is in any way preventive that you get into now, or is it simply after we have the announcement of further layoffs?

Mr. Allison: Our role for quite some period of time, I guess, has to be described as acting when we know. The role that

we hope to get into is a proactive role. However, in order to become proactive, we have to have information--

Mr. Mackenzie: It's not readily available.

Mr. Allison: -- and it is not that readily available.

I will be happy to leave my card with you and when you or any member of the Legislature receives this information, I or one of my officers would very definitely be most happy to move in and discuss it with the company, but without information I cannot act.

3 p.m.

Mr. Mackenzie: I don't know what they have discussed with the minister but he conspicuously left out any form of protection for what was left of the engine plant in Windsor in his statements. You are telling me it is reactive at this time, but up until now you are saying that while you want to change the role, there is no role you have had in terms of being able to do anything in advance.

Mr. Allison: No, that is not totally correct. Where we get the information, very definitely we will move in advance. We would much sooner be preventing the layoff. The best adjustment a worker can have is to not be laid off, if arrangements can be made to prevent that layoff.

Mr. Mackenzie: Mr. Gray specifically doesn't mention that. He may not want to scare the people any further at this point and I doubt you will get it that easily.

Mr. Allison: I think Mr. Bennett will talk to us.

The Acting Chairman: Mr. Allison, I would like to follow on with what Mr. Mackenzie has touched on, namely, that the rumour mill does play a significant role here. Certainly Mr. Mackenzie has been in receipt of a significantly large number of phone calls of concern about this happening. Do you not get any union contact with the same kind of request for information or the same kind of rumour mill or do the unions generally avoid you?

Mr. Allison: I think "avoid" would not be the correct expression, but certainly they do not beat a path to our door.

The Acting Chairman: As part of our mandate as a committee, we have explored all avenues of possible solutions. I think it is coming through to some of us on occasion that the communication system breaks down in certain areas, and that may well be one of them. For whatever reasons, there is a reluctance or an inability or an unwillingness. I don't know what the right word is--probably none of those are totally right--but there is something missing there between the union and government.

Mr. Allison: We have two or three problems. To some extent they are psychological in that the worker himself, while he may have concern, may be listening to the rumour he hears on the shop floor or in the beer parlour or wherever, but he doesn't

really accept the fact that that job, under this condition or that condition, will disappear. While there may be concern expressed, it really isn't that genuine. This is where a big part of the problem flows from. There seems to be a kind of eternal optimism that the buoyant economy we have had for the last seven or eight years, or up until a year ago, will simply continue.

I agree with the comment that is being made that there is a heck of a pile of people in the automotive industry who are not going to work in the automotive industry ever again, certainly not in my lifetime or working career.

Mr. Mackenzie: We are not likely to have 1,300 back at Oakville either. For example, in a month and a half's time, there will be another 160 layoffs there when the vans are moved and that is well before the anticipated callback which will only take place if there are sales of the LTDs, which are a questionable item.

Mr. Allison: I left a message this morning to reopen discussions on that subject.

Mr. Mackenzie: Certainly one thing that bothered me--and I guess this is the preventive, although I am not sure it is the manpower area--is that we didn't have the guarantees. I am not sure the minister could have done anything about the van operation, but I think we got suckered in terms of tougher negotiations rather than easier negotiations because we get the additional jobs at Oakville only if there is the production to warrant it of the big cars. Before we get those extra jobs, and they don't start until some time in July, we are going to lose an additional 160 workers when the vans go out on March 9 in Oakville. We are getting some awfully misleading figures bandied about also and I really wonder why and how they are coming about.

Mr. Allison: Excuse me, these misleading figures are not federal government figures.

Mr. Mackenzie: We were told by this happy announcement that we are going to have 1,300 workers called back at Oakville. If you take a serious look at it, we might have 1,300 or fewer called back but we are going to lose some with additional layoffs with the closedown of the old engine plant in Windsor. We may, in fact, have fewer or no more workers at all come June; that is all I am saying. I am really wondering what we are doing in terms of the planning on these figures.

We should be much tougher with Ford because we have the right, I think, in Canada, to some of the production. We should have been saying, "Hey, you move the small car production up a hell of a lot earlier than 1983." We made concessions for short-term gain of a potential of 1,300 jobs and that is all we have done. And, as I said, it is not even going to be 1,300.

 $\underline{\text{Mr. Allison}} \colon \ \mathbf{I} \ \ \text{will} \ \ \text{decline} \ \ \text{comment} \ \ \text{on} \ \ \text{the policy}$ aspects.

Mr. Mackenzie: I know it is policy. All I am saying is that the manpower adjustment committee obviously has to look at a

situation that is really not remedying itself. I am wondering what you do in advance with these kinds of situations.

Mr. Allison: The point I would like to make here is that what we are looking at is a restructuring of the automotive industry which brings about structural dislocations in the work force. That requires manpower planning; that requires more advance information, and it needs to be information arrayed in a form that can be given the kind of in-depth analysis that will give you the answers that can be used.

 $\underline{\text{Mr. Cooke}}\colon$ What kinds of studies are you doing to find out what mechanization and automation is going to do to the auto industry?

The MacDonald report that came out a few weeks ago was talking about a 25 per cent decrease in manpower in the autoindustry because of robots and so forth. Can you give projections of how many auto workers we are looking at over the next number of years who will be thrown out because of automation?

Mr. Allison: There has been a study recently completed by our economic services people. It is in the draft stage at this point, but I would expect that it would be completed within another month. I have seen it; I have not studied it; I would therefore be very hesitant even to suggest its concents. I am not hedging on my answer here; I simply have not studied it in sufficient depth to dare to give an answer. It indicates some of the things you are suggesting. One doesn't need to be an economist to be well aware of that point.

The Acting Chairman: Sorry, Mr. Cooke, but Mr. Mackenzie was the questioner. If he is finished, Mr. Martel is next on the list.

Mr. Cooke: Maybe we could just ask for a copy of that report when it is released. You suggest it will be released in about four weeks?

Mr. Allison: I would think so, yes.

Mr. Cooke: When that is made public, could we have a copy of that sent to the chairman for distribution to members?

The Acting Chairman: The timing on that would be important because we, as a committee, have a deadline. We would appreciate it as soon as you could get it to us--certainly no later than the end of the first week of February.

Mr. Allison: If nothing else, I will do my darndest to get the statistical tables out of it for you.

Mr. Cooke: That would be great.

Mr. Martel: Mr. Allison, I am trying to place you. Were you not before us about three years ago when we studied yet

another massive layoff, the Inco select committee looking into these layoffs?

Mr. Allison: No, that isn't where you met me.

Mr. Martel: I was sure that on some select committee of the Legislature that I have sat on you appeared before us to look at this very question we are talking about today--in late 1977 or early 1978 on the Inco and Falconbridge layoffs.

Mr. Allison: I am afraid not, no. Would you know Romeo Renault? I believe he appeared at some point on that subject. I was personally not directly involved. We have met, but I have forgotten where.

Mr. Martel: Let me ask you the obvious question. It was interesting, when we were looking at Armstrong Cork and their manpower adjustment committee, that they were successful in placing a worker from Lindsay and that worker ended up in, of all places, Windsor. With 20 per cent of the population unemployed, they were successful in placing a man in indsor.

How successful are the committees in their endeavours to assist workers to find alternative sources of employment?

3:10 p.m.

Mr. Allison: There are two sets of statistics. I notice in this interim report that there is comment regarding Armstrong Cork and there are some numbers mentioned there. You start out with the statistic of the number of people who are affected by the layoff, closure, whatever. The program is voluntary. Depending, I suppose, on the figure of the committee, escalating numbers of people request the assistance of that committee.

The batting average, if you look at the statistic of the total number of people affected, is of the order of 68 to 70 per cent. If you look at the number of people who have requested the assistance of the committee, it is between 85 and 90 per cent.

The statistics here in your interim report in respect of Armstrong Cork could be just a little bit misleading because that committee is still operating, is still active.

Mr. Martel: I didn't get the full studies, just the summaries, which indicate that the success rate in most areas is not high. In fact, the breakdown of one study we looked at is that for those who went their own way, the success rate was as great as for the group who had assistance from the adjustment committees, but that, overall, the success rate for relocation and so on was not very high.

 $\underline{\mathsf{Mr. Allison}}$: I am not aware of the study to which you refer.

Mr. Martel: Do we have the --

Mr. Jennings: We have the Ministry of Labour statistics.

Mr. Martel: Yes, we have those, but we also had a report that we got from the library.

Mr. Jennings: The Ministry of Labour gave us a case study, as well, for Firestone.

Mr. Martel: We had the summaries of a whole series of studies which were done with respect to plant shutdowns. A number of those studies indicated manpower adjustment was not very successful, whether it be here or the States or Quebec or anywhere else.

Mr. Allison: At Pirestone, to which you have just referred, 500 people were affected by the closure. As of the end of October, 305 had been adjusted and the committee is ongoing.

Mr. Mancini: When you say "adjusted," does that mean that they found alternative employment?

Mr. Allison: By and large it would mean that they found alternative employment. Some may have gone back to school, some may have elected early retirement, these kinds of things.

Mr. Mancini: I would think "adjusted" would be a phrase used for persons who had found a new job. If a person has to take early retirement and loses a substantial amount of his pension, or is forced to take early retirement because no one wants to hire a person of that age, I would hate to use the term "adjusted" for that individual or to a person who feels obliged to go back to school to upgrade himself and maybe not even get a job when he gets out. It just seems that maybe that is not the right word.

Mr. Allison: "Forced" is not the right word, certainly as far as I would be concerned. One of the options for adjusting to a dislocation in the labour market is retirement. It ought not, in my view, be forced on anyone.

The question of going back to school again is not a question of forcing; it is an alternative that will be proposed to some people. I might point out to you that the number of people who go back to school is something like 0.001 per cent.

Mr. Cureatz: Mr. Chairman, Remo, excuse me, I am

The Acting Chairman: Mr. Mancini is on a supplementary. Do you have a supplementary to the supplementary?

Mr. Cureatz: That is right. In following that line of questioning, I think it would be useful to have the specific figures if they are available. I agree that the word "adjustment"--at first I thought they had all got jobs, but with further questioning that does not seem to be the case. Can you provide the committee at a future time with a more specific breakdown?

Mr. Allison: I would like the opportunity--I am in a bind here in that one of the things that we do in these situations

is stress the privacy of the committee activity.

Mr. Cureatz: Why is that?

The Acting Chairman: Mr. Cureatz, might I suggest that this is putting these gentlemen under a certain bit of pressure. I am wondering if the staff members could sit with them when we conclude to see what statistical information is readily available and report back to us tomorrow. If there is anything else that we want, we can ask for it, but it seems that we are putting these--

Mr. Cureatz: That is fine. I was just wondering why it was private.

Mr. Allison: The point I was about to make was simply that with anything that is currently in the public domain, there is obviously no reason why I should be reticent about providing it. What I would like is the opportunity to compare my statistics with the statistics that have been submitted by the Ministry of Labour. In addition, I can attempt to make the thing in total available to you.

The only concern I have with it is that I don't want to see something coming out, as I see here in Armstrong Cork, that 119 people requested assistance and 29 have been adjusted to date. As I look at what I have here in front of me, one sheet with eight or 10 situations listed on it, two of them at this stage of the game are complete. I am not trying to be hard to deal with.

Mr. Martel: I am not worried about the data, Mr. Chairman. What I am trying to get at, however, is the number of people who get back into the labour force; that is the first thing. I don't think an early retirement is an adjustment, nor, I think, is going back to school. That hides the people we may think we have helped.

We are training a bunch of people in Atikokan and most of them are not going to get jobs in Atikokan. I want to know how many people are being successfully re-employed, and I would like to know if you know at what rate of income. In other words, is some person who is used to and has adjusted his standard of living to a \$15,000, \$16,000 or \$18,000 a year income being adjusted at \$9,000?

I am trying to find out what the success rate is--or is that really too much to ask because there aren't jobs really available for most people anyway?

Mr. Allison: We have statistics for the number of people who have been successfully placed in alternative employment, the number of people who have gone on Canada manpower training program, the number of people who are out of the labour force because of illness, these kinds of things.

Mr. Martel: You have them?

Mr. Allison: I do not have them collated.

Mr. Martel: I don't mean that.

Mr. Allison: Over the past seven or eight months, I think I could draw a picture for you with those numbers. The vast majority of people who are considered to have been adjusted in our term, as opposed to placed in alternative employment, do go into alternative employment; something like 95 per cent. I have no hesitancy in using that figure because I am quite certain I can prove it.

On the balance of your question I have absolutely no notion. You could not find a statistic in our office that would say to what salary the person went. You open up the avenue to get the interview arranged with the prospective employer. In the final analysis the arrangement for the job has to be between the employer and the worker. I think you cannot take the hand of government as far as to say, "You will pay this rate," "You must work here," this sort of thing.

3:20 p.m.

Mr. Martel: I am not suggesting that. What I am trying to arrive at is how many people are successfully reapplying. This is part of the study that Mr. Ramsay and I keep referring to as various people come before us. I am trying to get a handle on costs.

I guess in the final analysis, whether the cost of closing a plant is less or greater than the costs to society to either relocate them or to give them a barely sustenance form of livelihood, whether it be through unemployment insurance or welfare because that's the handle we don't have and that's the handle ultimately--things like severance pay which are vitally important in the final analysis aren't really what I, as an individual on this committee, am seeking as solutions to our problems.

My solution is work and the ability to work and the ability to take home a decent pay cheque and I think we have to start to grapple with that problem.

Mr. Allison: The best thing of course that you can do for the worker who has been terminated is to get him back into gainful employment as quickly as possible so that his self-worth and self-esteem can be re-established very quickly.

On the question of cost, your colleague, Mr. Cooke, raised the question, as I believe someone else did. I wasn't aware of the study to which Mr. Cooke referred either. In Atikokan where I personally have been directly involved for three years, when we finish that, probably in June 1981, we will have some fairly hard statistics, as complete as they can be at that point.

I think one of the propositions that I made when we set up

that operation in Atikokan was that it ought to be carried on sufficiently long so that some of these kinds of determinations can be made. In perhaps a late answer to a question that Mr. Ramsay raised on the question of getting some supplemental sort of employment during this period while one is laid off and looking for permanent employment, in Atikokan during the summer, for example, the unemployment rate was somewhat less than it was nationally. Now you are aware of--

Mr. Martel: People relocated.

Mr. Allison: Okay. Two hundred and some odd families as of then had relocated out of town. However, I guess the only point that I am making is that these people were getting employment of a temporary nature and don't let me suggest that it was anything but that because the unemployment rolls escalated like 200 per cent June to November or the beginning of December.

They had casual employment but it does have the effect of extending the UI benefit period but, in any event, to conclude on the basic question, to my knowledge and it's not exactly what you would describe as a macro-study, we are collecting the information in Atikokan that hopefully will at least supply some of the answers to the questions that have been asked here in that type of community, that size of a community and so on.

My experience says that no two of these situations are ever identical. I am not sure that once the study is completed and the i's dotted, the t's crossed, that that study can be taken and applied to Windsor or to Edmonton or to St. John or wherever. I am not sure.

Mr. Mackenzie: It might work in more than one industry towns a little better.

Mr. Allison: Yes, it will suit that situation better and when we started in Atikokan and searched all over the place, I could not find anything that would even give us a starting point.

Mr. Martel: I am interested when you said that the study will go to a certain date. There are two aspects of it I think must be enlarged on and maybe they are being so I will try to find out.

I would hope that you intend to follow each of those workers for the next year and in calculating--you said that some of them relocated but are you looking at what the costs were to the individual, for example, who had to walk away? He had been in Atikokan for eight to 10 years. He can't sell his house. Are you also looking at what the costs to the individual were?

It is much more difficult for a man of 55 to relocate as some of them from there have to the west coast, having not finished paying for a home and then having to start all over again at age 55 either to rent or to purchase a new home at the type of interest rates we have today.

The type of study I see is going to be a gigantic

undertaking, but I think it's the only way to get at trying to resolve some of the problems or to determine how much intervention is necessary by government maybe assisting a corporation to stay alive rather than see it go down the tube because the social costs far outweigh what it would cost to assist an industry rather than see it go belly up.

Those are the answers we don't seem to have.

Mr. Allison: No, they are not available.

Mr. Martel: I would certainly want to see as one of the recommendations in the final report that we have got to reach a point that we must know what the social costs are to determine what type of assistance governments are prepared to give because in the long run, it might be a hell of a lot cheaper to keep some of them going than to just let them close the doors and walk away because society ultimately pays the cost somewhere.

Mr. G. Taylor: So that there isn't any confusion later on because this often happens on these committees, you were talking about Armstrong Cork and the statistics that you have read that are in our report and the figures. You are now going to go back as you said and would compare some of your figures to those.

The impression you left with me is that you have different determining factors in arriving at some numbers that may be entirely different to the numbers that have been supplied to us by the Ministry of Labour and where they got their figures. What I want to prevent is, could you give a more thorough explanation and even to the point that I am sure you won't be able to match up names and say, "Well, they said he went on to education but we found him another job"? I am sure you don't have the information and will be going back with that style of information.

What I am trying to anticipate is that I don't want, when you drop your material in our lap, somebody saying, "Get those Armstrong Cork liars back in here because their figures aren't the same as your figures." Would you give a thorough explanatory note rather than just dropping your figures on our table because I can foresee our problem.

Mr. Allison: I am sorry if I left the impression that the Armstrong Cork figures are incorrect. It's entirely possible that they are absolutely correct as of the date that they were received by the committee. The point that I was making was that the way the sentence ends, it is kind of a finite statement which does not tell the whole story. The fact is that those statistics would not be true today and that is the point I am trying to make in that the committee activity is still ongoing.

Mr. G. Taylor: And again to qualify that further, they might have put them in some different categories than what you might measure them but might be very close. To give you an example, alternative employment has arranged something or a future where one might be going on a training program but one might have a job. You might still categorize those in the same category.

- Mr. Allison: Yes, we would. This has been the procedure. Rightly or wrongly the point I made earlier was that under no circumstances would we be in the position of forcing someone to do this, that or the other thing.
- Mr. G. Taylor: I guess the corollary of that to further information because many questions have been asked and in particular by Mr. Martel who is so very concerned about what happened to each and every one of these individuals.
- I am sure your documentation is not designed for that at present but only to get, as your colleague said, a picture of what is taking place so that they are just general categories and you would probably, as you mentioned earlier, be releasing a great deal of privacy or even invading the privacy to go and trigger your machinery that one step further to continue following the patterns of somebody through the work force.

3:30 p.m.

- Mr. Allison: I am glad you prompted my memory on this. This was a point I wished to make with Mr. Martel. Part of the problem one gets oneself into and the kind of case history study proposition I don't disagreed with, is the impact of the privacy legislation. How far can you go?
- Mr. G. Taylor: It would be interesting to have the information but you are really invading somebody's privacy. I am sure anybody at this table wouldn't want you following their work habits all over the country with your computer for some benefit that somebody in the Legislature might want or the federal government might want to find interesting as to what did happen to that individual.
 - Mr. Allison: We are doing it in Atikokan.
- Mr. Mackenzie: It's not to benefit some member of the Legislature, but some more rational organization of our job production facilities.
- Mr. Allison: We are doing this with the people who have left \hbar tikokan. We are keeping tabs on them on a quarterly basis by way of a questionnaire which they are free to respond to or not. The response is surprisingly high, of the order of 60 to 70 per cent. We are asking them questions: "Did you get a higher income? Were you able to afford the same level of housing? Are you maintaining the same lifestyle? Is your salary comparable?" these kinds of things.
 - Mr. G. Taylor: That is on a voluntary basis?
- Mr. Allison: It is strictly on a voluntary basis and certainly the report will not refer to specific individuals. It will be aggregated, this sort of thing. The problem is we are collecting information that does have names attached to the questionnaires. Frankly, I am somewhat nervous about it. We will have to ensure something is done with this information so that it will not eventually fall into the wrong hands.

Mr. G. Taylor: One further question which would be more accurately put to your colleague because he presented the information to Mr. Ramsay; the actual benefits one gets under the unemployment insurance situation.

My concern would be more exacting in how do those features dovetail with the present termination legislation in the province, particularly in view of two situations, one where they get a temporary notice of layoff as compared to a permanent notice and, similarly, we have situations where they are given a permanent notice and are cautioned verbally, "This is only temporary but because the law is this particular way we are giving you the permanent notice," and when the final crunch comes they say, "Sorry, we forgot to tell you this is permanent."

Then when does your program pick up and dovetail? When would the provincial termination benefits end and how soon thereafter would your federal benefits come into play?

To aid you in answering the question, there are some theories of thought that we should have the termination notice which gives one termination and sometimes pay in lieu of termination, then the unemployment insurance benefits come in, but there are some fields of thought to suggest if you have severance pay it should be stacked.

There are some fields of thought, should it be stacked on top of the termination pay? Should it be paid no matter what provisions you have in the termination or unemployment? Or should it come at the tail end? After you have used up your termination notice, your unemployment insurance benefits, then in comes severance as a feature, depending on what has to be designed or negotiated. Have you any thoughts on that? Are there ongoing policy discussions available to us as a committee?

Mr. Allison: The unemployment insurance implications, the rules that normally govern the eligibility for unemployment insurance would apply. Correct me if I am wrong, Mr. Webster, they are not to my knowledge normally impacted by the provincial legislation.

As an example, the person who has worked for 10 years and is laid off, who has been paying his premiums, the employer likewise of course, he serves the two-week waiting period and is then eligible to collect benefit for whatever period he continues to be eligible. The notice that would be given under the employment standards legislation would have no impact on that aspect of it.

The impact that it could have would be where the employer had neglected to give the proper notice and paid money in lieu of the notice. This would be earnings and that would then push him further down the lane.

Mr. G. Taylor: Do you have this material available to us in a summary form? As Mr. Ramsay said, he ought to know it and probably I ought to know it, but since I haven't been in the unemployment line, I don't know it thoroughly. Do you have any layman's brochures on the subject?

Mr. Webster: I have a fact sheet with me which we could get photocopies which we could leave with you.

Mr. Taylor: That would be very helpful. We don't have that at present. Mr. Ramsay and I are without that information.

The Acting Chairman: Are there other questions? One thought came to mind. Certainly, we have run into this with workmen's compensation rehabilitation problems with the retraining required of some people to get back into the employment field.

There are occasions when, say, an injured carpenter seeks to become someone with clerical skills who can work in an office. If the assessment of the rehabilitation officer or people at the Workmen's Compensation Board is that he or she has not got the competence, they simply try to direct him into a custodial or maintenance-type programs as opposed to other programs at our community colleges.

Do you have many occasions to deny a person seeking to be retrained the course or program that he or she wants to take?

Mr. Allison: The general answer is no. I guess the major inhibitor to this sort of thing is, number one, the capability of the person to absorb the training.

The Acting Chairman: So you do have some assessment of their intellectual capacity?

Mr. Allison: Yes. We would send them to professionals for this assessment. Certainly I am not about to undertake it, nor is one of my officers. Normally, it would be carried out by people from colleges and universities. If we have a committee operating there is no hesitancy in the committee hiring professional consultants or whatever to carry out this assessment so that you are assured of the nonbias and all these kinds of things.

The major inhibitor is usually the availability of the training seat for the person to undertake the training within a reasonable period of time from when he have been terminated.

Mr. Cooke: How many increases in the numbers of seats at community colleges have been made over the last five years, say? Have there been increases? I believe a year or two ago there were some cutbacks in funding from the federal government and certainly cutbacks in upgrading the initial training where people needed training pre-secondary school; were there not cutbacks in that availability through the feds?

Mr. Allison: I would like to reserve and supply a written answer on that, Mr. Chairman.

Mr. Cooke: Can you indicate whether there have been increases in the number of seats over the last few years? When a community is struck by high unemployment are you in a position to provide extra seats in the local community college to provide training, or does this take a long period of time to go through the bureaucracy to meet the need?

Mr. Allison: It takes quite a while to get through the bureacracy but, yes, we can arrange to do it--Atikokan, for example.

Mr. Cooke: Has there been an increase in the number of seats at both the Chatham campus and the Windsor campus of St. Clair College of Applied Arts and Technology in the last couple of years?

Mr. Allison: I can't answer it but I will get it for you. What is your specific question?

Mr. Cooke: I would like to know what the statistics are province-wide for the last number of years and I would like to know with respect to St. Clair college. We may as well look at five years and maybe you could do it per college. You do allocate per college, do you not? You make that decision, not the minister.

Mr. Allison: I would suggest for your consideration, Mr. Chairman, it might be possible for you to get the answer more quickly through the Ministry of Colleges and Universities. Nevertheless, I will undertake to get back as quickly as I can, but it just seems to me if you want it by college that you conceivably could get it more quickly through that ministry. In any event, I will get back as soon as I can on it.

The Acting Chairman: No further questions? If not I would like to thank you, Mr. Allison and Mr. Webster, for giving us of your time and talent and our staff would like to spend a moment or two with you as soon as we conclude so that they know what we are talking about in terms of the various statistics and data.

Thank you, gentlemen. We will reconvene tomorrow at 10 a.m.

The committee adjourned at 3:40 p.m.





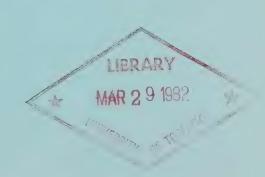
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PS-3 & 4 (1981)

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

ARROWHEAD METALS CASE STUDY TARIFFS

WEDNESDAY, JANUARY 7, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Clerk: White, G.

Researchers: Eichmanis, J. Jennings, R.F.

Morning sitting: Witnesses: From Arrowhead Metals Limited: Sinclair, R.L., President Stevenson, D.J., Employee Relations Manager

From United Auto Workers:
Gill, J., Director, Citizenship and Legislative
Department for Canada
Healey, W., International Representative
Hunt, D., Vice-President

Afternoon sitting: From the Ministry of Industry and Tourism: Booth, J., Policy Adviser, Trade Policy Branch Buchanan, P., Policy Adviser, Trade Policy Branch Hill, R., Director, Trade Policy Branch

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, JANUARY 7, 1981

The committee met at 10:22 a.m. in room 228.

ARROWHEAD METALS CASE STUDY

Mr. Chairman: Gentlemen, we have a representative from each of the three caucuses. The representatives from the United Automobile Workers are here. Mr. Jim Gill, welcome back. You have been here a number of times now. I wonder if you would be good enough to introduce your colleagues. As you well know, if you are going to make an opening statement we are in your hands. Just carry on. I hope time will permit questions.

Mr. Gill: Thank you very much, Mr. Chairman. We are back here again and we will also be back here next week. This is the presentation on behalf of laid-off workers at Arrowhead Metals in New Toronto, represented by Local 399 of the United Auto Workers. With me here at the table, on my far left, is Bill Heeley, an international representative of our union and also a former president of Local 399 and a worker at Arrowhead Metals. Next to me is Denton Hunt, the present vice-president of Local 399 and a worker at Arrowhead Metals.

With your indulgence, we have a prepared statement which Mr. Hunt will read and give verbal elaboration on some points in it. Then Mr. Heeley will cover a certain aspect of the operation, that is, the changeover from Anaconda Canada to Arrowhead Metals and the role the union played in that. He was the president of the local at that particular time. Following that, we would like to have at least a couple of the laid-off workers present certain evidence on their particular situations.

The statement is not very long, but it bears on this case and gives the reasons we think it is pertinent that you hear from this situation as well as from the other balance, as we call it, the balanced representation you have already asked for. I will ask Mr. Hunt to read the presentation.

Mr. Hunt: Mr. Chairman, committee members, on behalf of approximately 225 laid-off workers at Arrowhead Metals we wish to express our appreciation for the opportunity to present our case to this committee.

We fully understand your need to proceed expeditiously and bring forward recommendations to alleviate the present hardships caused by plant closures and layoffs and that you have chosen a representative group of case studies to examine. However, we believe that our situation merits your attention for the following reasons:

This is a closedown of a particular operation, not a complete plant. We feel this was a capricious action on the part of management and not predicated on normal financial

considerations. Severance pay and job placement assistance is being given to laid-off salaried employees but not to hourly paid workers. A recent change in ownership was greatly assisted by the willingness of employees to take a monetary loss. The understood quid pro quo was that workers would share in future profits, that is, a return of previous contract provisions. This has not happened.

The threat of closure was used to coerce workers in recent negotiations. Rumours persist in the work place as to the future intention of Arrowhead Metals. Will they reopen the closed tube mill at some time in the future? Was there collusion with others in the same industry? These are unfounded rumours, to be sure. Nevertheless, they are a cause great concern to the affected workers and our union.

The case we therefore wish to present to you is that of a commpany that enjoyed the co-operation of its workers and their union in facilitating a change of ownership to forestall a complete closure and then received most unjust treatment in return.

The following chronology outlines the major events pertaining to this issue from January 1976 to April 1978:

January 1976, Atlantic Richfield purchases Anaconda Canada Limited from Chase Manhattan Bank.

June 8, 1977, Atlantic Richfield advises leadership of United Auto Workers Local 399, representing the 870 workers, that it intends to sell the operation. The union is advised that the US parent will handle sale; Canadian management is not to be involved.

October 1977, company officials advise UAW they have been instructed from US headquarters to close or sell the plant. Bob White, administrative assistant to UAW director for Canada, enters talks.

October 1977, a week later, Canadian management says to UAW it happed to keep the plant going but was unable to obtain a meeting with the federal government over the matter. White sets up meeting with Ottawa. Federal government reportedly asks Atlantic Richfield for 90-day extension on proposed closing.

Meanwhile, UAW membership agrees to extend existing contract for 90 days to April 30. White meets with Ontario cabinet ministers, then makes flying visit with Canadian president of the company to corporate headquarters in New York, but owners refuse to alter decision.

December 1977, Automotive Hardware makes offer to buy operation, but offer conditional on its reaching suitable contract with MAY.

 $\tau_{\rm curred}$, 3, 1978, company asks UAW for another 60-day extension of contract to June 30 so it can close sale.

April 1978, UAW and Automotive Hardware reach agreement for contract after union agrees to concessions on cost-of-living

allowance, pensions and incentive pay so jobs of workers can be saved.

Co-operation in facilitating the sale of Anaconda Canada by our union and its members is clearly indicated in the letter sent to employees by the company president on November 8, 1977, as follows:

"Dear Fellow Employee:

"On Sunday, November 6, the members of Local 399 of the UAW, our bargaining unit, agreed by ballot vote to a contract extension that buys us all some much needed time, time for our new business broker to accumulate the necessary data and organize his plan to sell this plant and time for governmental funding agencies to investigate the feasibility of our business.

"Our customers now can know that while we pass through this critical time period they can count on us for product and do not have the additional threat of an expired labour contract. People interested in perhaps buying our plant now also know that our workers are concerned with their future and are reasonable men who act responsibly.

"I know you are aware of many of the details of the struggle we have all been through to reach this point. I think it is also appropriate that you be aware of the help the leadership of UAW has been to us during this past month or so. Without the help of Bob White, administrative assistant to Dennis McDermott, and Jim Gill, we would not have been able to talk to nearly as many political decision makers as we have jointly done. Pat Smith, the UAW international representative, did his part as did our local's Bill Heeley and his executive crew. We owe all of these men our thanks, as well as many others both in political positions and within the civil service.

"I am also indebted to my own managers, who provided advice and moral support on a constant basis. We are all trying to preserve jobs in this joint effort and this is our entire goal.

"What are our chances for success? I think they are definitely improving. Anaconda has reconfirmed their position before governmental officials that we are indeed for sale. They have agreed to retain a new business broker to aid us in soliciting a buyer. The agent is wasting no time in preparing his literature and background material. Two concerns have also indicated a strong interest in entering negotiations for possible sale.

"Our sales people tell us our customers are still with us, and we have received letters to support their comments during customer calls and visits. We also made a profit for two of the last three months, as shipments have been stronger than forecast, and profits also are necessary to attract buyers.

"Let's hang in there, people. If we all keep fighting we can still win this thing yet!" $\,$

Signed, "Ron Sinclair, president, Anaconda Canada Limited."

Further record of support is contained in press clippings, et cetera, which are appended to this submission.

During the phase when a new owner was being sought, the Canadian management was adamant in its belief that the operation was quite viable as Anaconda had since the early 1920s been a major manufacturer in the copper and copper alloy products field with a well-deserved reputation for quality and price competitiveness. The possible closure was causing consternation for many loyal customers, some of whom would have to source material in other countries if Anaconda closed. In fact, what was constantly put to us was the possibility that new ownership could mean increased production as this could lead to a penetration of the United States market, which its US parent had restricted.

10:30 a.m.

Couple with this the knowledge that Anaconda had approximately 40 per cent of the Canadian market for its products and you can possibly understand the confidence of our membership in taking a chance on short-term losses in pay and benefits in the hope that future prosperity would be shared with them. It is our contention that the present owners have benefited, as evidenced by the following newspaper report excerpts, which include quotes from the company president:

"It has been about 15 months since Automotive Hardware Limited of Toronto purchased the copper and copper alloy products manufacturing operations of Anaconda Canada Limited for \$21.5 million, changed its name to Arrowhead Metlas Limited and set it loose to compete in Canada and in the United States, where its US parent had formerly restricted its sales thrust.

"'We're very pleased with the new arrangement,' said R. L. Sinclair, the former president of Anaconda Canada, who has remained as president of Arrowhead. 'The Canadian management is less intense, with a more efficient internal reporting system and we've been able to expand our markets.'

"This is a far cry from the dark days of mid-1978 when Atlantic Richfield Company of Los Angeles, after acquiring the ownership of Anaconda Company, put the brass mill operations of Anaconda Canada on the sales block. Amid speculation that Arco was having difficulties in making a deal and with the jobs of 850 employees hanging in the balance, Automotive Hardware emerged as the new owner.

"Since the takeover, 'the economy has been good to us,' Mr. Sinclair said, and sales and profit have benefited from the strong demand. 'We've made progress in the US market, roughly in those areas within a 500-mile radius from Toronto, where we can compete effectively.' About five to six per cent of Arrowhead sales are now in this US market area.

"For the six months ended June 30, Automotive Hardware reported that its Arrowhead unit, one of the largest brass mill operations in Canada, contributed \$2 million to total first half profit of \$5.3 million on sales of \$63.2 million. Total sales from

the parent's brass mill, industrial fastener and automotive after-market products were \$89.1 million...."

"...For the longer term the company plans to invest \$8 million in a modernization program over the next three years, which it expects will result in sizeable improvements in productivity and in capacity expansion.

"In addition, Automotive Hardware has been able to apply its expertise in manufacturing to improve efficiency at Arrowhead in such areas as purchasing and product pricing.

"In an analysis of Automotive Hardware prospects, Wood Gundy Limited of Toronto estimates that 1979 profit will rise to \$3.50 a share from \$1.38 in 1978, of which Arrowhead operations will account for \$1.90 a share.

"While Mr. Sinclair declines to make profit predictions, he believes the current economic slowdown in copper and brass products consumption will not reach drastic limits. With the company posed to embark on a major expansion programs, he feels its longer term prospects are 'particularly encouraging.'"

At the time of the purchase it was agreed that, among other concessions, the cost of living would be frozen over a three-year agreement running from December 1977 until December 1980. Our conservative estimate of our members' loss on this item alone is in the area of \$1.75 million, a direct contribution to the purchase of the manufacturing operation.

The new owner, Mr. Goldhart, had indicated to the employees that should the business produce profits for himself, he would sincerely share these profits with the members of the bargaining unit. The result was that a three-year agreement was reached. During the term of the third year, December 1979, the bargaining committee approached the corporation to open up bargaining early to provide for an increase over and above 25 cents that was to come into effect in December 1979.

The parties finally agreed to the opening of an agreement commencing January 3, 1980 and wrote to the Department of Labour to have the agreement expire early. We entered into negotiations with the the corporation from January until April 15, 1980, at which time the strike took place at the plant. The major issue in the strike was to be cost of living reinstated.

On September 5, 1980, the company sent a letter to bargaining unit employees indicating that unless an agreement was reached by September 30, 1980, the tube mill would be closed permanently. This happened in spite of the fact that prior to the strike the tube mill was operating at a high production level. This mill, to our knowledge, is the only one in Canada capable of making brass and copper tube over four inches in diameter. Also, it manufactured a wide range of alloys that may not at present be produced by competitors in Canada.

An agreement was ratified by the bargaining unit on November 9, 1980, but this came too late to forestall the closure action.

As a consequence, all hourly rated employees with seniority dating back to April 5, 1965, were subject to indefinite layoff.

As previously stated, it is our contention that this is a viable operation with an experienced work force; a record of quality output; unparalleled experience in product development in this area; a customer network; and from all apparent indications ample orders at the time the strike commenced.

Indeed, the stated position of the company was to improve the production capabilities of the tube mill. If this position was supportable as of early September 1980, it is, we submit, still supportable today, which leads us to believe that the closure was not necessary, but a callous decision on the part of management to "teach the workers a lesson" for having the temerity to ask for re-establishment of previous benefits.

This committee has no doubt heard a long litany of complaints of how laid-off workers are treated and the mental anguish they go through, to which we will not be repetitive but merely add several points pertaining to our members specifically.

It is our understanding that while laid-off salaried employees receive severance pay and job search assistance, such aid has not been proffered to our members, the hourly paid workers. Indeed, the company has not, as of this date, agreed to the setting up of a manpower replacement committee which was requested by our union on November 10, 1980

Due to an Unemployment Insurance Commission ruling, laid-off workers have had benefits held up unreasonably.

The average age of these laid-off workers is 36, making it difficult for many to find jobs. Altogether it is a sorry state of affairs, a condition that need not exist.

We appreciate that the material we have to support our arguments may be considered by some to be inadequate. Nevertheless, we believe our position is sound and would respectfully suggest that this committee elicit the following information from Arrowhead Metals and others:

What was the production rate of the tube mill in 1978, et cetera? Who were their major customers? Who supplies them now? Are customer requirements being met domestically or by foreign supplies? What does Arrowhead Metals plan to do with the present tube mill equipment? Are there any plans to reopen the tube mill in the near future.

In conclusion, we commend the direction taken by this committee to date, as evidenced by your interim report, and request while you deliberate needed changes in the Employment Standards Act and other pieces of legislation, you also give consideration to the need to justify and/or halt unnecessary closures such as the Arrowhead Metals tube mill.

Mr. Chairman, I would like to point to the last letter on the brief in regard to our setting up of a committee with the company's replacement. It has not been answered yet. I would like this question added to the list after number six on page 11.

Mr. Martel: Mr. Chairman, I didn't hear that request.

Mr. Chairman: This is the reference to the last page. This is about the manpower replacement committee.

Mr. Cureatz: This is the November 10 letter.

Mr. Chairman: Gentlemen, I thank you very much. Just before we entertain questions, I want to remind you and the members of the committee that Mr. Patrick Lawlor is present with us now. He had requested an opportunity to have this situation brought before the committee before we recessed in December.

Mr. Martel: Pat made the deal.

Mr. Chairman: Yes. Pat and I made a deal. When it comes to deals, you and Elgie are still miles ahead of us.

Pat, I wonder, do you have any general comments?

Mr. Lawlor: Not just yet.

Mr. Chairman: Any questions from members of the committee? Mr. Martel, you start off and then Mr. Ramsay.

Mr. Martel: I want to go back just a little bit, and it has nothing to do with this situation. After purchasing the company in 1977, the new owners almost immediately wanted to get rid of it. Why was that?

Mr. Hunt: That is a question you will have to ask the new owners.

Mr. Gill: Are you talking about Atlantic Richfield?

Mr. Martel: Atlantic Richfield. It seems they had no sooner bought It than they were trying to dump it.

Mr. Hunt: I really don't have any answer to that except that it was rumoured they wanted to divulge themselves of all their foreign-owned assets.

10:40 a.m.

Mr. Gill: There were stories too--and maybe the management people from Arrowhead can fill you in on this--that Atlantic Richfield wanted to consolidate their operations and were planning to move their Toronto production to Buffalo.

Mr. Martel: In your brief you indicate there was only one major issue outstanding in the strike, which was reinstatement of the cost-of-living allowance. The reports of the news media indicated that there was an agreement reached and it was ultimately rejected at a meeting. What I want to know is, that being the key issue, were there any other outstanding issues or was that the most significant one?

Mr. Hunt: At the outset, I would say the cost of living was the outstanding issue there. As you know, in negotiating a new contract, there are several monetary issues. This was the outstanding monetary issue. A general wage increase would probably be next in line and then some pension improvements.

I would point out that under our pension plan an employee at 62 years of age in 1978 before Arrowhead Metals took over could go on pension and receive approximately \$585 a month. If that same person at 62 years of age with 30 years of service now went on pension, he would get approximately \$335 a month. In other words, in three years we went down \$250 in round numbers.

Mr. Martel: If we listened to the people who were before us yesterday, it is relatively easy to negotiate but unions don't put much emphasis on pensions.

Mr. Hunt: This is just a point I am making as one of the important issues in our negotiations at the time. There is no doubt that the cost of living was the most important issue because we had accepted a freeze on the cost of living in our 1978 plant saving agreement.

Mr. Martel: We were told yesterday by people from the management group of pensions that unions don't know enough about pensions. Mr. Mackenzie or someone on the committee could correct me if I am wrong, but they said unions didn't bargain very hard because the men were young and the junior men detracted from the union being able to negotiate toughly on the pensions. I have never found that to be quite the case.

Mr. Hunt: I would like to point out right now, when you talk about our men being very young, the average age in the brief of the 225 workers worked out to about 36 years of age. The average age of employees left in the plant is close to 52, so we are vitally concerned with pensions as well as with a living wage now.

Mr. Martel: I will leave the other thing but I am just intrigued by no response to it yet. I am dismayed that management is being assisted to relocate and getting severance pay but the hourly rated man is getting neither one of these benefits. That amazes me. It doesn't surprise me but it continues to amaze me.

Mr. Lawlor: Mr. Chairman, may I say one word on the matter? I am going to speak rather harshly and rather bluntly. This business of the tube mill, which is so critical to 250 employees in New Toronto and which appears to be a totally viable operation in terms of alloys produced nowhere else in Canada--it is the only tube mill in this country which can go over four in the sin diameter--mons to me to have been used at the time as a pure piece of blackmail with respect to the employees settling that strike on company terms.

Subsequently, when the employees backed up on it and said, "No, we are not going to be bludgeoned into a position," the company has, by way of punishment as far as I can see--and I would like to hear what the company has to say about these things--continued in an entrenched position throughout. Despite

all kinds of blandishments and various forms of pressures used on the corporation, not only for what would appear to be in its own interest, in the interest of the profit-making aspects of the matter, which seems to be the chief motivation and is supposed to drive people into activity, in this particular case for very strange reasons which I do not completely understand, and that is partly why we are here, that has not brought about that effect.

On the contrary, the heels are dug in. In face of self-interest, in face of the interests of the community which I represent and in face of the whole industry in this country with respect to this particular kind of manufacturing, they have been blank and have remained adamant and have refused to move.

If this committee can bring about any enlightenment or any rationality into this situation, it will be greatly thanked. Thank you.

Mr. Ramsay: The main question I had was the one that was asked by Mr. Martel. I find it strange that a company purchases an operation and then tries to sell it once it purchases it, particularly if it is profitable.

A second thing confuses me--and, as Mr. Lawlor has said, perhaps we will get the answer this afternoon. I am not being critical of the union brief in any way when I say this, but you say on page 10, "leads us to believe"--and Mr. Lawlor has spoken to this point--"that the closure was not necessary but a callous decision on the part of management to 'teach the workers a lesson.'"

I find it very difficult to believe that a profit-oriented company, not a multinational but a Canadian company, that has bought this operation and is operating at a profit, would be prepared to throw out that capital investment and to throw out those profits just to teach the workers a lesson. I think that is the key to this whole brief and that is the key to what we have to find out this afternoon. It just does not make any sense to me at all. I was wondering if you could substantiate your thoughts in any way on this particular accusation you have made.

Mr. Hunt: I have been a tube mill employee for nearly 26 years. We have had slow times, but we were reasonably busy when the strike took place. We were working a decent amount of overtime; it 7/3s offered. We were always quite sure the product range they had was so big that there was no one that could replace that range in the country. So we felt that the tube mill itself was a very viable operation. I know from 26 years of experience in the mill that some equipment is getting old, but this happens all the time.

Unfortunately, when the strike started, it was a pretty tough strike. It became in some instances personal confrontations. We feel that these personal confrontations led to this statement in here We were dealing with a pretty tough guy, a very successful business man, and we were dealing sort of on a first-contract basis with a new owner and a new union in a sense. He wanted to show us who was boss. It is the same in all

first-contract confrontations. It is sort of a rule of thumb that the best contract or the best settlement, if it is companyoriented, is the company is watching and is the boss in a way.

Mr. Ramsay: Do successful business men get to that stage by cutting off their noses, to use the old cliche? This is the part that I find so difficult.

Mr. Hunt: I do not think he has cut off his nose completely. He still has several successful companies.

Mr. Ramsay: I can see somebody, fed up with the aggravation, saying: "To hell with it. I am going to sell it." But I cannot see him just throwing it away.

10:50 a.m.

 $\underline{\text{Mr. Hunt}}\colon$ You must remember that it is not a complete shutdown of the whole business; it's only two thirds of it.

10:50 a.m.

Mr. Ramsay: I appreciate that. It will be interesting this afternoon. I am looking forward to that.

Mr. Gill: Again, this is why we pose certain questions, because there are little things that puzzle us as well. As you can see, our members have had years of experience there. We are not privy to the inner workings of the corporation, but one can evidence certain things from a day-to-day operation.

I should point out that some of the customers of this operation are pretty major ones, including the Ontario government, Ontario Hydro, and so on, on specialized alloys. There are some pieces of production that certainly can be picked up by competitors. When we get into things like condenser tubes, large tubes, special alloys, we are really concerned about a number of things. One is that it is being met at all in Canada. If it is not being met at all in Canada, then I think that is something that should really concern the committee. If customers have to source these materials offshore or out of the country--

Mr. Ramsay: I agree.

Mr. Gill: -- then that is of real concern.

I would hope that you would, through the witnesses who may appear for the company or through your own investigations, shed some light on this because this is not only of concern to the workers there but to the Ontario economy.

Mr. Mackenzie: Part of the arrangements the union made were concessions in terms of the cost-of-living allowance, pension, incentive pay and so on which, in effect, was a contribution to the purchase of the plant. Was the understanding that if the plant was profitable and the sales were increased or maintained, so anothere along the road that would be returned to the workers or arrangements would be made that they would share in the profitability?

Mr. Heeley: I will answer your question. When we met with the new owners to open negotiations, they made it loud and clear to us, first, that they could not afford our pension plan and, second--and this came from one of the new buyers--that he could not understand or could not see how the incentive plan worked. It was obsolete. He would not have it in his plant is what he said.

We sat down and renegotiated the incentive plan out of our plant at the time, but we took the wages that the employees made in the incentive plan and came out with what we considered a fair settlement to everybody and we put those wages into there.

The pension plan was an expensive pension plan. We had a clause in there--I believe it was called the 70-80 clause--that added age and seniority together. One was entitled to a full pension at that. The new buyers could not afford that area.

The cost of living was away out of reach. They needed time to establish themselves. This is what they were telling us at the bargaining table. We gave them that time.

Mr. Mackenzie: This was the agreement in 1978?

Mr. Heeley: This was the agreement in 1978.

There were a few in our membership who said, "Close the plant," but we won an 85 per cent vote at that time to give the new buyers a chance.

There were two statements made. One was at a meeting that we had in the board room on the second floor where I happened to say to the new owners, "When we get to the bargaining table, I am coming after the farm." The vice-president of the company must have remembered this because he mentioned it two or three times to me through bargaining. But he made a statement at the bargaining table. He said: "Give us a chance. If Mr. Goldhart makes \$2, we will give you \$1 back." I never forgot that statement. I told that to my membership and we gave him his chance.

Mr. Mackenzie: In effect, the question I asked was, in return for the concessions which you people made, if the thing worked or if you gave them a chance, then somewhere along the road you would get a chance to get it back.

Mr. Heeley: I do not think that statement was ever mentioned.

Mr. Gill: The implication was there.

Mr. Mackenzie: The implication. I understand there was no guarantee.

Mr. Gill: Oh, no.

 $\frac{Mr}{s}$. Mackenzie: But the statement was made that if he makes $\frac{\$2}{s}$, he'll give you \$1 back.

Mr. Heeley: That is the statement that was made.

Mr. Mackenzie: Was there ever at any stage up until you opened negotiations any discussion of whether or not the company was profitable, whether it was making a return and whether or not it would consider it at some point? Was there ever any discussion at all that they would consider reopening the contract or looking at some of the concessions you had made?

Mr. Heeley: No, on the profit end I can answer you. How we got into the discussion on reopening the contract was we were having some problems with the bargaining unit people in the skilled trades area. In February 1979, they approached me as president of the local union at that time and twere telling me, "You go and get us better jobs." They asked me if I would approach management to open the contract.

I then went in, and it was on a one-on-one basis with the labour relations director at the time, John Morrissey, and I mentioned it to him. I told him where our problem area was in the skilled trades area but I felt that if we were looking at a group of skilled trades, then we would have to look at the group production workers too.

John said to me, "Leave it with me." There was no, "Yes, we will open negotiations at that stage." Then it dragged on for a while. I kept putting a little talk into John but he hadn't received word from higher up what to do.

I was then called in and I met with John again and we discussed it again. I was supposed to go on staff at the UAW at the time. It was suggested to me that they had some changes to be made in the collective agreement. They were quite willing to negotiate, to get the union to send a letter requesting to open negotiations. I believe this was done.

Mr. Mancini: This is a very troublesome matter for a couple of reasons. One in particular is that there is a general and very strong feeling amongst yourself and people working in the plant that the company was closed because the employer in almost a first contract setting wanted to establish himself in one way or another for his own particular reasons. When did the discussion concerning closure begin? When was it first brought to your attention that closure was possible of the plant?

Mr. Hunt: Officially?

 $\underline{\text{Mr. Mancini}}\colon \ I$ want to know when it was first brought to your attention by any means.

Mr. Hunt: Are you talking of rumour?

Mr. Mancini: It could be rumour. It could be a slip of the tongue. It could be an official letter.

Mr. Hunt: I had been told personally in a private conversation with Mr. Sinclair on the July 1 weekend that there was a possibility of the two buildings closing down. There was

nothing official at that time. It was a private conversation in a parking lot as a matter of fact. The first official word we got was the letter to the employees dated September 5.

Mr. Mancini: When you were speaking with this gentleman in the parking lot, how did he broach the subject?

Mr. Hunt: This is a question I would like to put to Mr. Sinclair myself. His suggestion was that we talk privately and he made some suggestions to me on a contract settlement at that time. We had been on strike since April 15 then.

Mr. Mancini: Approximately three months.

Mr. Hunt: He made some suggestions to me that would have settled that strike within two weeks. I think his words to me were, "Try this for size," and I loved it when he told me this. He gave me some off-the-record proposals and I, in turn, went back to our bargaining committee and informed them of it. Then the international union contacted the company and asked to reopen negotiations on the basis of this conversation.

When they were reopened on the basis of the conversation, the offer was on the table when we were on strike. So it was back to the table but negotiations immediately broke off again.

Mr. Mancini: Let me see if I understand this correctly then. You met the employer by chance in the company parking lot?

Mr. Hunt: No, it was a liquor store parking lot.

11 a.m.

Mr. Mancini: Okay, that's no problem. We all need a little bit of cheer now and then. So you were speaking with the employer and he mentioned two things: one, the possible closure and, two, some new items to be negotiated. I am more concerned right now about how the subject of closure was discussed. Did he say to you, "I don't want to close the plant so let's do this," or, "You had better be careful or--"?

Mr. Hunt: He expressed concern that if the stake dragged on until September 1 there was a possibility of the tube mill shutting down.

Mr. Mancini: He did not elaborate on that at all at that time?

Mr. Hunt: Not at that time, no.

Mr. Mancini: Did you not at that point ask him to elaborate on it, say, shortly thereafter?

Mr. Hunt: Actually, I wasn't in a position to negotiate on behalf of the local union. This is done by a committee and I was not--

Mr. Mancini: I am not speaking about the negotiating

part. I am speaking of the closure part. He said to you basically, "We hope the strike doesn't drag on until September or we may have to close." I want to know after that was said what happened between then and September with regard to information on closure. Did he broach the subject to anyone else?

Mr. Hunt: Not to my knowledge and not officially until September 5.

Mr. Mancini: How about in the plant?

Mr. Hunt: The plant was shut down.

Mr. Mancini: I mean there are people on the picket lines. There are people going in I guess there was management there. Didn't the rumour mill work at that plant?

Mr. Hunt: To my knowledge, it was never officially directed to anybody in charge or under the negotiating committee of the local union.

 $\frac{Mr.\ Mancini}{in\ July\ and}$ there was nothing further either by rumour or by official statement about closure.

Mr. Hunt: There are lots of rumours when there is a strike. Probably one of the rumours floating around was the possibility of a shutdown.

Mr. Mancini: Then, of course, the letter in September.

Mr. Hunt: That's right. That was the first official word to my knowledge.

Mr. Mancini: That's all for now, Mr. Chairman.

Mr. Chairman: If I might ask a couple of very general type questions, there is very much a feeling and a concern in the written part of the paper that in the initial attempt to make the company an ongoing, viable enterprise your membership would accept a lower wage settlement, given the change in ownership and so forth. That's a fair statement.

I guess that could be measured. There would have been a period of time and I don't want any details on this but, for a period of, let's say, a year or so, one assumes that your members working in that plant received a lower wage than members in comparable industry. Clearly everyone was trying to make this thing work.

The tragedy I see is that there is absolutely no winner in the exercise here. It seems there was a show of strong wills maybe on both sides. When you get down to that spring of 1980 offer which was rejected, when you compare that offer with others of your members in the industry, was it much out of line or out of line at all?

Mr. Gill: One thing you can do 'is compare it to others in the industry, and there are not that many copper alloy

producers. I think the rejection was predicated more on $\sqrt{1/4}$ workers originally had. I think that's something you should bear in mind. Prior to 1978, the evidence was given about the difference in pensions to start with. The cost-of-living provision is fairly standard in so many contracts today. This can be open to argument, but we estimate that the workers lost just under \$2 million there.

All of these things were part of the arguments that were floating around. We should go back to the original acceptance of this cutback, as it were, in 1978. It took a lot of explaining and a lot of discussion among the membership, and the leadership of the local played a very crucial role in trying to explain to the membership that this, to the best of our knowledge, appeared to be the only salvation of the operation. A new owner was not going to take over unless there was a certain type of contract achieved.

The workers could measure their immediate loss right away. It was very easy to do that. Things such as pensions are very difficult to measure because you have to get into actuarial tables and find out how many are eligible for pensions. In some cases people didn't take a pension because we lost the supplementary provision that would allow people to go out at an earlier age.

These things were the base the members were looking at in 1980, not other areas of the industry. If you compare it to the automotive industry or the metal processing industry, there you will find those things were not picked up. In all of that industry you will find that there is cost-of-living provision there and pensions are superior to what we ended up with. So workers are very simply saying that they are not back to 1978 levels. The loss has to be compared back with that.

Mr. Chairman: I understand. There was not a formal agreement in 1978, just a general understanding. Is that correct? Or was there a formal agreement, "We are going to give up the following for a fixed period of time in the hope--"

Mr. Gill: It was a fixed period of a three-year contract.

Mr. Chairman: Did the second offer in the fall of 1980 not bridge that gap?

Mr. Gill: There was no cost-of-living allowance provision in there. That is one of the things still not there. We didn't pick it up.

Mr. Mackenzie: It should be noted here that, if nothing else, consistently through the hearings we have been given the argument by some people that one of the problems is the union's not negotiating better pension deals. Here we have a clear example that the first thing that had to be given up to begin to try to hang on to the operation was a pension plan, which wasn't the best even at that point but was superior to what they ended up with.

Mr. Gill: Another point too, Mr. Chairman, which is fairly evident in what we presented to you, and if you want additional evidence we will be glad to prepare it, is that the

workers were quite willing, to a very reasonable point, to co-operate with management. I think management will agree with that. To salvage the operation, they were willing to go so far, but after a certain point frustration sets in.

At one time I worked at this plant too and I know a lot of those people very well. In talking to workers there, I sensed a certain degree of frustration. "We have been good to them for two years. We see the place working overtime and we see the place very busy. It is time for them to bend a little as well and come back to us." This was not realized in the negotiations at any one point. That may have been one of the major factors in the back of people's minds.

I think Mr. Hunt pointed out to you that the average age of the worker in there now is in the early fifties, meaning they had a lot of seniority and had been around there a long time. I suppose they had a certain loyalty to that operation, but they were not being treated fairly. They took a bite back in 1978 to keep the thing going on the advice of management.

We were relying a lot on the knowledge of the industry in 1978, as given to us by the management at that time. A large number of them stayed on with Arrowhead Metals, including the president. They were quite adamant, as we say in the brief, about its being a viable operation. Press clippings indicate that after the sale the new owners indicated they were going to keep present production going. This appears to be a retraction on that statement now.

 $\frac{Mr}{side}$. Chairman: As of today, where do things stand? Is each side exactly where they were in the fall of 1980? Is there ongoing discussion now?

Mr. Gill: There is an agreement.

Mr. Hunt: There was an agreement reached and the men started to go back to work on approximately the week of November 10, I think.

 $\underline{\mathsf{Mr. Martel}}$: That was only for one part of the operation though.

Mr. Hunt: The tube mill operations were closed and the employees terminated, so of course there is nothing doing there.

Mr. Gill: The layoffs were by plantwide seniority, so people came out of other mills as well on layoff. One thing outstanding is the request of November 10. The manpower placement committee is still there. We haven't received a reply on that as of yesterday.

11:10 a.m.

Mr. Chairman: I don't understand it. Any further questions? It is after 11 a.m. We have Mr. Sinclair and a representative, of course, of the president of the company. We have some workers here too. Do you wish to have some of the workers address the committee now?

Mr. Gill: If you want to proceed and conclude this morning, we will forego that part of it. I think we have covered our argument.

 $\frac{\text{Mr. Chairman}}{\text{is the wish}}$ of the committee to have a joint meeting with you and Mr. Sinclair.

Mr. Gill: We will remain if you want.

Mr. Chairman: If it is agreeable with the committee to call some of the workers, I don't think there is any particular reason to approach this in two distinct packages.

 ${
m Mr.}$ Cureatz: Let us have management come forward and, time permitting, we will have the workers.

Mr. Chairman: Mr. Sinclair, perhaps you will be kind enough to come forward. Welcome to the committee. I will ask you to introduce your colleague for the record, please.

Mr. Sinclair: I have with me Mr. Dave Stevenson, employee relations manager for Arrowhead Metals.

Mr. Chairman: Do you have an opening statement?

Mr. Sinclair: I haven't prepared one but I will address the matter in a general manner and perhaps answer some of the questions that have been raised to date. As you know, we were a US-owned company until May 1978. Earlier that year the Anaconda company per se in the US, which wholly owned Anaconda Canada, was bought by Atlantic Richfield.

What Atlantic Richfield was after was Anaconda and all the mines in the US. The other subsidiaries came as part of the package. That is what they were after, so they didn't buy Anaconda Canada just to sell it a few months later. They bought the Anaconda corporation lock, stock and barrel for something like \$700 million.

The decision was then made to dispose of the Canadian assets. We were never told why completely, but it was consistent with what had been done previously. Petro-Canada is made up of Atlantic Richfield's former oil holdings in Canada. They sold off their Canadian assets prior to acquiring Anaconda as their decision internally to divest themselves of non-American businesses, American meaning located right within the US. So they divested themselves of the majority of these businesses. We were part of it. Since then, they have divested themselves of even more internally within the US. That is just a bit of background.

Mr. Mackenzie: This intrigues me because it is a pattern we have seen before. Here we have Atlantic Richfield buying out with the intent of getting the mines and the operation and, in effect, they don't give a damn about the rest of the operation, even though there are major plants such as the plant here in Toronto. I recognize Canadian management doesn't carry a hell of a lot of weight in top-level decisions, but were they at any time

consulted or were they in on any of the discussions over the purchase of the operation?

Mr. Sinclair: No, and I wouldn't expect them to be.

Mr. Mackenzie: Even though you have a plant, millions of dollars of business and 800 potential workers, you are on the sidelines of the central negotiations that are designed to buy out Anaconda Canada to get a hold of one particular piece of property.

Mr. Sinclair: Mind you, it is a public company.

Mr. Mackenzie: I understand that.

 $\frac{Mr}{s}$. Sinclair: If you have enough money, you can go out and buy it yourself and you do not go in to talk to the individual components if you want to buy the company.

Mr. Mackenzie: Even though the very future of that plant may be at stake, Canadian management has no say whatsoever.

Mr. Sinclair: That's correct. That's a fact of life and it would not matter whether it was a US company of many subsidiaries. That happens to be the way it works.

Mr. Mackenzie: I understand that. That's the weakness of our so-called private enterprise system.

Mr. Sinclair: We reached the point where the company was for sale. Then it was under the threat of closure if sale could not be completed within a very close period of time. As the union's submission states, a co-operative effort between Canadian management, of which I was a part at that time, as I am now, was taken with the members of the union to work together to see this plant sold to Canadian ownership, and we were successful.

There had to be a new contract negotiated and reference has been made to that in the submission. The contract had some undesirable standpoints in it from the union's point of view naturally. When I say "naturally," the reason for that statement is that within the brass industry Anaconda paid essentially the highest wage and benefit package in North America.

That had transferred through to Canada. When an agreement was made south of the border as part of the Anaconda agreement for the brass mills south of the border, those agreements transferred north of the border as a subsidiary. Essentially, the monetary terms were the same and the issues that were decided in Canada essentially were the nonmonetary issues that cover the difference in benefits that exist in Canada as compared to the US. That is a fact of life. But the end point was that Anaconda in the brass mills south of the border was paying the highest wages in the industry and we were doing the same here, as a subsidiary.

Now we are being sold. We are losing money at the time we are being sold. One of the main reasons is that we are paying out of proportion to the competitors in the business. These are the facts of life. That was one of the things that had to be addressed

in the 1978 negotiations. We had to make ourselves competitive within the industry in North America. That was one of the goals we had. We paid one of the highest pension plans in the country. None of our competitors were anywhere near the kind of pension plan we had.

 $\underline{\text{Mr. Mackenzie:}}$ Did you go after the US market while you were part of the Anaconda deal?

Mr. Sinclair: No, we couldn't. We were a subsidiary. They stayed out of our market; we stayed out of theirs.

Mr. Mackenzie: So even if you had the production and the expertise, one of the ways in which you could potentially enrich your sales picture would be grabbing a chunk of the US market and it would be valuable to this country too.

Mr. Sinclair: Exactly and that was part of the strategy.

Mr. Mackenzie: But you weren't allowed to do that. So that is also a deterrent to the profit-making ability of the operation.

Mr. Sinclair: Under the previous administration, correct.

Mr. Van Horne: I would like to ask one question if l could. In the materials we have received, in the income statement for the year ended December 1979, labour costs, schedule B, are \$16,079,273, which represents 14.7 per cent of your total operating costs in 1979. You indicated that you were paying out of proportion. What would the accepted proportion be in the rest of the industry and within what limits can you operate?

Mr. Sinclair: We do not look at it in that way when we survey the industry. No company is going to give one that kind of information normally. We look at the average wage costs that we were paying compared to our competitors. If it is two or three dollars--

11:20 a.m.

Mr. Van Horne: Well, if they are public companies, are their statements not available? Could you not look at that?

Mr. Sinclair: Because they don't show their operating costs or the labour costs as a percentage of sales. You arrive at total dollar sales on the bottom line and what is in between you really can't break out. You could take any normal company's operating published balance sheet and income and loss statement and you would not be able to find that number in there. You would not be able to determine it unless they willingly divulged more than they normally do.

My point is that what happens in the industry is that people communicate how much they are paying, the same as the unions communicate back and forth what the average wage and the average benefits are, so we were aware what we were paying and we were aware of what our competitors were paying and that is how we knew

we were that far out of line back in 1978.

When we reached an agreement, the workers did not lose anything they had already earned, meaning the pensions that they had earned up to the point of sale they kept. I think that is worthy of your consideration. The new arrangement is from that time onwards.

Mr. Van Horne: Excuse me, kept in what sense?

Mr. Sinclair: If they had so many years under one plan and now the new plan starts, when you go to figure out the guy's average pension, you figure it out for the numbers of years under the Anaconda system times the benefit then, and then you move for the next year's under the new system, so he did not lose anything he had earned up to that point. In other words, we were not trying to take away from what they had already earned.

The same came to wages. There was not a wage cut asked for; there was a wage freeze. As Mr. Heeley mentioned, the incentive plan was rolled into the average wage, so with the incentive plan, the total cost to the company remained the same. However, we reached a new agreement and there was no argument in the end with the new agreement and we got started into business under Canadian ownership.

Mr. Chairman: This is in the spring of 1978, a three-year new agreement?

Mr. Sinclair: Really, it is a two and a half years. It was due to expire November 1980.

 $\underline{\text{Mr. Van Horne:}}$ Just for general information, you were there $\overline{20~\text{years prior?}}$

Mr. Sinclair: Seventeen years, so I would be fully familiar with all the background. I participated in the contract negotiations that went on at the time of the sale.

Then we started into business as a Canadian enterprise and we were able to start selling south of the border and sales started to improve. We had to arrive at what our strategy would be for future investment.

The main problem in our operation was the tube mill operations, because they were either marginal or nonprofitable. For four out of five years our tube mill operations either broke even or lost money. In spite of the fact that the entire company was making a profit, the tube mill, for four out of the previous five years, either broke even or lost, so it was critical.

Mr. Martel: Does that include the years 1978 and 1979?

 $\frac{\text{Mr. Sinclair}}{\text{declared}}$: That is correct. Of those years, only 1979 declared a profit for the tube mill operations, so it was very important for us to decide what we were going to do with the tube mill and the decision was we would reinvest in the new equipment that would enable us to become competitive in this market, expand

sales and make the product more efficiently. We determined it was going to cost us about \$8 million to do this and we were making our plans to proceed to invest this money in the tube mill.

One of the things required in the tube mill building program was that it would go for three years. It became evident that if we started right away, we would just get one year into it and our labour contract would expire and we could have the whole program severely interrupted by labour problems. At the same time we also realized that the last year of our agreement with the union left something to be desired from their standpoint in terms of their not keeping up with the cost of living.

It seemed 'evident to us that we needed a new agreement earlier than we would normally go for one. There was certainly something in it from the union standpoint in that if they could get a new agreement a year early, they would get the first year of their contract a year earlier and should come out better in the long run.

While Mr. Heeley was getting pressure from his members, we were also saying to ourselves, "Hey, maybe we should reconsider and look at a new agreement a year early." We did meet in August 1979 and decided to start making the move towards negotiating an agreement. However, at that point we would not grant the right to strike, with the end result that, from August through to November, we got nowhere in the negotiations.

Mr. Chairman: Over the right-to-strike issue?

Mr. Sinclair: No, meaning that we said, "We are going in to negotiate a new agreement, but we don't want you to walk out on strike a year before the contract can expire." The union said: "The only way we are going to negotiate is if we have the right to strike. We don't feel we can negotiate to our best advantage without the right to strike."

It reached the point where we could see we were going nowhere. Finally, in December 1979, we said, "Okay, we really want to get this thing settled so we will grant you the right to strike," meaning, "We will jointly go to the labour board, ask for early termination of our contract and then you will have the right to strike," so that finally we could get down to serious negotiations; which we did.

We got our contract terminated January 3, 1980, and negotiations started in earnest. We went through until April covering, primarily, the noneconomic issues. It comes down to the economics in the last few days, quite often, before the time that is allowed to elapse before you can go out on strike expires. It became evident as strike time approached that we were wide apart in terms of what their expectations were for an economic settlement and what our ability was to grant them an economic settlement.

Mr. Mancini: Can I interrupt for a minute, please? I am sorry to do so, but I am finding some confusion with what is being told to the committee.

Mr. Van Horne: I can't hear you, Remo.

Mr. Mancini: I will speak up. Basically we are being told that the negotiations were opened early, that the old contract was terminated. You say this was being done so that you could have a long-term projection of your costs,

Mr. Sinclair: I wanted three years of a new contract to build the new tube mill and to know what our economic costs would be.

11:30 a.m.

Mr. Mancini: Also very important, you thought that your costs were out of line and you wanted to get them into line.

Mr. Sinclair: No, not at that point. We had done that before. We had done that in 1978. Now we are coming back and the union says, "Okay, now it's our turn and we are there saying this is as far as we can go." There was no takeaway part in this set of negotiations. In a nutshell, the posture was, "How much can we get back?" That was the approach.

Now, it's interesting too--

Mr. Mancini: Why would you want to open up the contract a year earlier?

Mr. Sinclair: I explained that. There was something in it for us as well as for the union. We wanted a new three-year contract to get going with our large expenditure. They want it, naturally, because it was the last year of their contract and they are going to do better than that in the first year of any contract. They should get a good settlement a year early, and we were prepared to pay it a year early if we could get a three-year contract. But we were not about to open the flood gates. That's where negotiations come into it. So the long and short of it is that we had a strike start on April 15 and--

Mr. Mancini: How far apart were you when the strike started?

Mr. Sinclair: On a major economic issue, cost of living allowance--that was the prime issue--we were a mile apart. I think it's of interest that there is not a single member of the negotiating committee here today that participated in the last set of negotiations from the union standpoint. The people who are here are either from United Auto Workers headquarters or UAW members who were not on the negotiating team in this most recent negotiation.

We were a mile apart in that they wanted open COLA, and we knew from our projections for the company that there was no way we could afford to pay open COLA. However, we were prepared to pay, and conveyed this to the negotiating committee several times, the going rate in our area and in our industry.

Mr. Mancini: Which was?

Mr. Sinclair: Which was in the neighborhood of \$8.07 an hour.

Mr. Mancini: I mean as far as the COLA was concerned.

Mr. Sinclair: Not COLA, the average rate.

Mr. Mancini: There was no COLA in your industry?

Mr. Sinclair: There are in some parts of the industry and there are not in others. In an industry like ours, you can't afford to pay COLA if many of your competitors do not. Many of our competitors do not. We are now competing in North America, not just in Canada, so you are competing with every American brass mill as well. If you want to enjoy that market down there, then you have to be competitive in the market.

We did, however, agree in negotiations that we were prepared to discuss a capped and triggered COLA. However, that didn't appeal to the negotiating committee. It was open or nothing at the time.

During our negotiations, we finally arrived at a capped and triggered formula, and it was at their request negotiated out in terms of an up-front settlement, meaning, "So many dollars, so many cents an hour now, never mind the COLA formula; we would prefer to have it this way."

Well, that's fine. That's part of negotiations. The committee go for what they feel is best for their membership. Management acts for management. We finally settled the strike on November 9, just one week shy of seven months.

Now, going back through the strike for a moment. During the period of the strike, the costs of this strike ran in the order of \$1 million a month losses to the company due to the fact we are on strike. That's a significant number because at the end of seven months you are at \$7 million. You have almost equalled the amount of money we were prepared to spend for our investment program over three years; you have lost that in seven months.

The problem that we arrived at in that whole thing, part way through the middle, was that by the month of August we had lost more money than we had earned as a company in the previous year, in excess of \$4 million, and there was no light at the end of the tunnel in terms of a settlement coming. So how much more were we going to lose and what were we going to do from there?

We had placed orders on equipment for this tube mill. We were already committed to \$3 million of equipment, and the clock is running on the cost of the equipment. It is just like a big snowball that is building up on you. The money is continuing to go out to finance a strike and to pay for the new equipment that is coming, and you have no idea whether you are going to have a settlement or not. The point was reached that we could no longer afford to pay for a new tube mount.

Mr. Marzini: To a common at all points greeched?

Mr. Sinclair: This decision was made in August.

Mr. Mancini: Then why did you continue negotiating?

Mr. Sinclair: You still have to have a settlement. You have got the rest of the plant to operate. So the decision was made: "We have got to back off on the tube mill. We have lost more money than we earned in a year. We can no longer afford to invest that kind of money in the business."

The mill itself, the business itself, had lost money four out of the previous five years. You are obviously not going to carry on with that business on that basis and so we were forced into it.

Mr. Lawlor: It had come into a profit position in the immediate previous year.

Mr. Sinclair: Pardon me?

Mr. Lawlor: It had come into a profit position in 1979.

Mr. Sinclair: In 1979 it had earned less than \$500,000.

Mr. Lawlor: Which year was it of these four or five years that it made a profit?

Mr. Sinclair: That was 1979.

Mr. Lawlor: So it was beginning to break out.

Mr. Sinclair: It was beginning to break out, and we felt that in the long term, if we invested the money in it, it could be made to break out. But once you have spent the money for a strike, you don't have any money to spend. The money has to come from somewhere, and if it can't come from retained earnings, it is gone.

Mr. Martel: Can I ask a question here? You said the decision was reached in August to close the operation.

Mr. Sinclair: Yes; in terms of management making a decision. Then we conveyed it to our membership in early September.

Mr. Martel: I am just trying to get something straight. You had decided, if the strike would not terminate--

Mr. Sinclair: That is right. We said a decision had to be made that if the strike was over by the end of September, we would agree to carry on with the tube mount. If it was not, then that was it. We would have lost \$5 million by then, that's it; game over with the tube mount.

We conveyed that to the membership, and they had from September 5 through to the end of the month for us to arrive at an agreement and have it ratified by the membership. We negotiated in the latter part of the month and we reached an agreement with the committee. The committee then took that agreement to the membership for ratification and the membership, at a very unruly

meeting, did not even vote on the offer that their own committee had unanimously recommended. They said: "We don't even want to vote on it. Send it back to the company," which meant that our deadline had expired.

During this time, Mr. Elgie was involved, the Department of Labour was fully involved and UAW headquarters, of course, are involved. Both UAW headquarters and Mr. Elgie and his department said: "The guys have got to have a chance to vote on this thing. It has been a very rowdy meeting, somebody has acted out of hand. There was no vote taken on it. Surely they are owed the right to vote on the matter."

11:40 a.m.

Mr. Mancini: What date are you talking about?

Mr. Sinclair: This is October 1. We have gone past the date and the pressure is on to reconsider, give the men a chance to vote. So we agreed to go the remainder of that particular week, which was obviously October 3, and a vote was to take place all day October 3 and we would know after the polls closed that evening whether or not we had a new contract.

The same union president who had unanimously recommended and signed the agreement in our negotiations September 29, in the remaining three days went and advised his membership, publicly and in the newspapers, not to accept the new contract. So on one hand he negotiates with us and signs an agreement, then when the heat comes on from the membership he says, "Do not vote on it, they will not close," totally on his own, with the sad result that the vote was lost by 23 votes.

So the fact was the members had been given a chance to vote and they were given a second chance to vote and they still turned it down by a democratic majority. However, their own leadership internally had flip-flopped and it is my submission that that was the straw that tipped the thing

So where are we? We have passed our date, we now have to proceed with what we had said we would do and we went ahead.

Mr. Mancini: Just before we move on, was there much difference in the contract that was discussed late in September and voted on early in October?

Mr. Sinclair: No, sir. The one that was voted on in September and the one that was finally agreed to in November, in terms of the straight economics there were no changes. There were some minor changes in the--

Mr. Mancini: I want to go even earlier than that.

Mr. Sinclair: No, there were no changes there either.

Mr. Mancini: The strike started in April and you went five months, and finally to seven months, and basically there is no difference? Mr. Sinclair: That is right.

Mr. Chairman: Who is the union spokesman who recommended the membership vote against it?

Mr. Sinclair: The president at this time--and he still is now--is a man called Bernie Collins.

We proceeded then with our plans to notify our suppliers that we have to stop the costs incurring on the equipment. It is of interest that the company now has to pay \$1.6 million in cancellation charges for this project that we were forced to stop in the middle anyway.

Then we finally get our settlement and we are now in the process of selling off the equipment that is in the tube mill and we are out of the tube mill business.

It is a sad state of affairs but I think the committee should be aware of how these things can come out. Nobody really wins during a strike.

Mr. Mancini: May I ask one question, sir? How much would it have cost you to enrich your contract offer to a sufficient level which would have been acceptable to the union over a three-year period?

Mr. Sinclair: That is like how blue is the sky,

Mr. Mancini: No, you must have had some particular idea of where the bottom line was for the union.

Mr. Sinclair: No, you have no idea what the bottom line is for the union. You know if it is an open COLA contract that it will probably put you out of business within three to five years in the particular business we are in, your wages will get that far out of line.

What you have to do in our business is match essentially the industry, which we did in the end; we came up with a settlement that compared quite favourably to the plants that are in our area, in the southwestern Ontario area, and UAW settlements in southwestern Ontario. We researched this very carefully. The problem was that the expectation level of the membership was far higher than that.

Mr. Mancini: If you researched that thoroughly, you must have researched what the union demands for COLA would have cost your company over a period of years.

Mr. Sinclair: Sure. It would have cost at least \$2 million a year, depending on the rate of inflation.

 $\underline{\text{Mr. Mancini:}}$ If you would have given them a fully uncapped COLA, which would have been agreeing completely with their demands.

Mr. Sinclair: Yes.

Mr. Ramsay: On a point of order, Mr. Chairman, with respect to Mr. Mancini and some of it: I thought that we were going to listen to these gentlemen and then we were going to have the opportunity to ask questions. But I think we have wound up with the situation that--

Mr. Mancini: There's a lot of interest--

Mr. Ramsay: I appreciate that. I wanted to jump in too, to get clarification.

Mr. Chairman: It is a good point. Thanks, Mr. Ramsay, for bringing it to my attention. Actually, Mr. Lawlor is the first on a new list that I am now going to run.

Mr. Mancini: I'm sorry; I didn't mean to infringe on your time.

 $\frac{\text{Mr. Chairman:}}{\text{the list, but--}}$ Just indicate to the chair if you wish to

Mr. Lawlor: Mr. Chairman, we are going into questioning now?

Mr. Chairman: No; I think we should let Mr. Sinclair complete his comments and then we will begin with you when we do reach that point.

Mr. Sinclair: Essentially, I think that I have reached the end of my comments. I want to make clear though that in the whole negotiations and final settlement everything was done with the full knowledge of the Department of Labour. We followed every requirement of law and of the Employment Standards Act here in Ontario.

In terms of our final position with the union, with respect to locating of jobs, that type of thing, we declined to make a move in this direction, particularly because of the circumstances that preceded the decision to close the mill: a seven-month strike; the decision is made in the middle of the strike. It is a bitter and a violent strike, more than \$100,000 damage done to the plant during the strike, more than 200 windows broken, both in the office and the whole perimeter of the plant, charges laid, assaults, fires set. It is a very violent, nasty strike.

With this kind of a strike in mind and the people who were laid off being particularly the ones who participated in the violence and the problems, it is asking an awful lot to then go out and find jobs for the guys who have been laid off under these circumstances; terminated rather than laid off. So we elected not to proceed.

These fellows had been out on strike for seven months. Another month and a half went by from the time they were terminated. We feel that we have done more than our share in finally trying to arrive at a satisfactory conclusion to the matter and that the rest is up to them; to go out and find a job in this case.

However, as the union states, we did something for our salaried employees, with the posture: "Hey, these people had not gone out on strike for seven months against us. They had not participated in the decision to close the tube mill." They were casualties equally as much, but they did not even get a vote in it. So we did do some work with them to help relocate them because of the circumstances in which they lost their jobs.

That essentially covers our position.

Mr. Chairman: Mr. Lawlor, will you begin the questioning?

Mr. Lawlor: A couple of things, Mr. Chairman, with your indulgence--

11:50 a.m.

Mr. Gill: Mr. Chairman, just to clarify one matter. If there is any thought that this group here is not officially speaking on behalf of the local, I would like to dispel it at the moment.

The official body between elections in any particular local union is the executive board, it is not the bargaining committee. We are here on the authority of the executive board of Local 399. Whether or not it includes people who were on the bargaining committee at the last set of negotiations is quite irrelevant.

The two international representatives who were part of the bargaining the last time have both retired, so we would have had to haul them in off retirement.

Mr. Chairman: Thank you, Mr. Gill.

Mr. Lawlor: Mr. Chairman, I am on another committee and I am going to have to withdraw soon. Just a couple of points: Mr. Sinclair and I have had good relations in the past. At an earlier time when this plant was under negotiation, Mr. Sinclair was good enough to come to my constituency office one Saturday morning and we had discussions, both with respect--

That Anaconda plant in the United States--or Atlantic Richfield--refused to grant concessions to the Canadian operation with respect to the American market. That foreclosed or cut back on the range of possible sales for that company and there was some element there of seeking to make representations to the ministries here and to the federal government in order to try and open that up. That was finally done and was beneficial towards the negotiation and keeping of this company in operation at that particular time.

The second point was that there was some talk of seeking to prevail upon the union or use whatever influence one had in order to keep that plant going; to take a cut or to hold back on wages into the future negotiations.

For whatever value it was--and this is not modesty; I don't think what I had to say to the union had a bloody bit of effect,

one way or the other--I was in touch with them at that time. In any event, that is what proceeded. It was in the best interests of all concerned.

I have a question for Mr. Sinclair with respect to Mr. Elgie and the Ministry of Labour. If you had made the decision with respect to the tube mill in August, did you inform the Ministry of Labour that there was a potential of the loss of these 240 or 250 jobs coming up before too long?

Mr. Sinclair: Yes. We informed the Department of Labour prior to sending out the letter to the union.

Mr. Lawlor: When would that be?

Mr. Sinclair: September 4.

Mr. Lawlor: Just the day before.

Mr. Sinclair: That is correct.

Mr. Lawlor: One final thing, with your indulgence: It looks from what you say this morning that the tube mill is down the tube.

Mr. Sinclair: That's correct.

Mr. Lawlor: There is no way of saving it, despite the fact that it appeared to be a viable and possible operation.

All right. Thank you.

Mr. Martel: A couple of questions: Forgive me if I am wrong, but did you say the COLA clause was going to cost you, open-ended, \$2 million a year? I think that is what you said; I don't want to put words in your mouth.

Mr. Sinclair: That is what I said. What you have to keep in mind is that there are a lot of assumptions to be made in arriving at a number like that. What is the inflation rate going to be? And how much more could it be if it goes from this rate to that rate?

It was significant enough to me that I knew that we could not afford to have that clause in our contract and we would not settle for any contract that had such a clause in it. We had to draw the line.

Mr. Martel: How many people were we talking about in the group that would get the COLA clause?

Mr. Sinclair: Six hundred and forty-seven people were in the unit at the time we went on strike.

Mr. Martel: I find that figure high. Forgive me for disagreeing with you, you know better than I, but none the less I look at your labour costs for the period ending December 31, 1979, and your total labour cost was \$16 million and what you are

telling me is that a COLA clause would be an eighth of that on an hourly rate of I think you said \$8.07 an hour. What would that new agreement have cost you minus the COLA clause for the moment?

Mr. Sinclair: Forgive me but I am not sure that that's what's at issue here. You are asking me to dig into details in our settlement in terms of COLA clauses. I thought we were here to examine what happened in closing the plant. The negotiations are over and done with.

Mr. Martel: Surely the negotiations from your position and the failure to get a contract led to the closure of the plant. Your total labour cost at the end of 1979, for the whole year, was \$16 million and I don't know how many dollars you would have to pay per employee.

 $\frac{Mr.\ Cooke}{1}$ It works out to over \$3,000 an employee at two million bucks for COLA.

Mr. Martel: Yes, that's a lot of COLA. The rate of inflation would have to be bloody high. Did you perchance just fatten that up a little?

Mr. Sinclair: Not to the best of my recollection. I am going strictly from memory of numbers that we probably calculated six months ago before we arrived at the position that we were not going to go for COLA. Now, that number could be wrong but the fact still remains that I wouldn't have gone for that kind of a contract then and I wouldn't go for it now, not in the business we are in.

Mr. Martel: There is something a little amiss and forgive me for being obtuse but you told us that you studied the industry well. You knew what your competitors were paying. Your final offer brought you in line roughly with what everybody else was paying and you have indicated all along today that that's what you felt would be the case.

Why wouldn't you offer that in the beginning then instead of waiting 10 months down the road?

Mr. Sinclair: We did. That's where we started from and the union went out for seven months and settled for the same thing.

Mr. Martel: You are saying that the final offer was the same contract.

Mr. Sinclair: That's right.

Mr. Martel: Why would they accept it seven months later then if they didn't accept it previously?

Mr. Sinclair: Sometimes it's hard to get a message through. The same thing might have been said if the company had folded on the thing.

Why did it take the company that long? I don't know. People are people and the company ends up with a position and the union

ends up with a position and that's what negotiation is all about. Unfortunately that's the way it's done in Canada.

Mr. Cooke: When they went out on strike at the beginning, you indicated to them that this was your final offer. Were there really no negotiations over that seven or eight month period?

Mr. Sinclair: Essentially no. We met five times but the positions were firm on both sides throughout and you meet and you discuss the issues of where you both stand and then you break apart again.

Mr. Martel: My understanding of negotiations are though that one presents a position and then people negotiate to a solution somewhere along the line. Your position from beginning to end didn't change. Obviously, negotiations were a wasted effort. You had made your position. This was going to be it. That was the bottom line.

Mr. Sinclair: That's right.

Mr. Martel: That's not negotiating, is it?

Mr. Sinclair: Sure, because you arrive at that position at the time you go on strike. You start from a lower position as you are heading into what your final offer will be.

 $\underline{\text{Mr. Martel:}}$ My understanding of negotiations, heaven forbid, are that you stake out your claim but to reach an agreement, each side has to give a little.

Mr. Sinclair: We gave \$2.31 over three years, an increase of 31 per cent.

Mr. Martel: That was your initial position.

Mr. Sinclair: No, you arrive at that. I didn't put that on the table from the start. We arrived at that.

12 noon

Mr. Martel: As I say, I just find the whole thing strange and I find that the total cost of COLA, if it's \$2 million a year, is in my opinion and forgive me for being--but I find it strange that an eighth of your new--well, your COLA is an eighth of your total salary paid out over the year.

Mr. Mackenzie: The \$155 for each of 637 employees seems to me that you were picking an awfully high total.

Mr. Sinclair: Perhaps what I had was what I have told you, and I don't have the numbers with me, perhaps that is what it would have cost us over a couple of years but if the number is wrong, it's wrong. I haven't got anything here to check it.

 $\underline{\text{Mr. Martel:}}$ Could I ask one other question? Your old equipment made a profit for you but it was no longer in any

position to continue. It meant such a changeover of the type of equipment to remain competitive. Is that correct?

Mr. Sinclair: That's correct. We have equipment in that tube mill that runs in age back to the early 1930s. The most modern piece of equipment is from the late 1950s. It is either invest or get out of it. We were prepared to invest but not under those kinds of terms.

Mr. Mackenzie: How much of the production of that equipment is production that you are the only plant in Canada that was producing?

Mr. Sinclair: Probably 20 per cent.

Mr. Mackenzie: So that's a 20 per cent increase then I take it in imports that we have got in that particular area?

Mr. Sinclair: I would assume so, yes. US mills were here very fast.

Mr. Chairman: Mr. Cooke had a supplementary.

Mr. Cooke: I was just wondering along the same lines as Mr. Martel's question. If you made a profit in 1979 of \$500,000 on equipment that was 60 years old, obviously then your competitiveness was affected over that four or five year period where you were indicating losses or break-even points had taken place in that particular mill. It was not therefore directly a result of high salaries, uncompetitive salaries. A lot of it had to do with equipment that was out of date, not necessarily salaries. Is that correct?

Mr. Sinclair: They work together.

Mr. Cooke: Right. What kind of profit projections were you making for that particular plant, increases in profits with new equipment if you could make \$500,000 on 60-year-old equipment?

Mr. Sinclair: We had determined that we could make a satisfactory return on the investment that would enable us to proceed with it and that it would be a worthwhile venture. We would be satisfied with the profitability that would result from it.

Mr. Cooke: Are there any projections or statistics you could Indicate to us?

Mr. Sinclair: No, not that I have here and I am not about to go off the top of my head again. I get it bit off when I do that. The fact was that we had determined that it was the thing to do if we could reinvest in it but you have to have the money to do it and if it meant going a hell of a lot further in debt to do it, then the project was not economically viable.

Mr. Cooke: That 60-day period from September 30 to the settlement of November 9--

Mr. Sinclair: Another \$3 million gone.

Mr. Cooke: Another \$2 million. Right?

Mr. Sinclair: September, October --

Mr. Cooke: From September 30 to November 9 is just over a month. You are talking about \$1 million, not \$3 million.

Mr. Sinclair: From the time I made the decision in August--

Mr. Cooke: The \$2 million in August clearly indicated from the letter that September 30 was the point, not August, so we talked another month after and in that one month period the \$1 million that the strike cost you made the conversion of that plant, the upgrading of the plant, completely--

Mr. Sinclair: My friend, I didn't vote on the contract. Ask the membership why they voted it down. They are the ones that made the decision.

Mr. Cooke: I am asking a question and the question is did that 30 day period, that \$1 million cost--you are trying to tell us that that made the upgrading of that plant--

 $\underline{\text{Mr. Sinclair:}}$ Could you have told me that I would have a contract in 30 days? I might not have had one for another six months.

Mr. Cooke: I am talking to you about the economic viability of that particular plant and I am asking you whether that 30 day period, October, made the complete difference.

Mr. Sinclair: What 30-day period?

Mr. Cooke: October. We are basically talking from September 30 to November 9 when you reached an agreement with the union.

Mr. Sinclair: Standing at the decision point in September you don't know it is going to be October. You don't know if it is going to be November, December, January. So you draw the line.

Mr. Cooke: I realize that but I am saying to you, in other words in November you had gone past the point of return. There was no way of activating that plant?

Mr. Sinclair: Exactly.

Mr. Cooke: That decision cost you money, \$1.6 million in equipment costs.

Mr. Sinclair: That is right, yes, except the strike cost me \$7 million.

Mr. Cooke: The 30-day period: I find it difficult to

understand how that plant wouldn't be economically viable and why the 30 days made the difference.

- Mr. Sinclair: I guess that is the reason I am in the business and you are not. You are in government; I am in business. I had to make the decision whether or not I could go ahead with it or whether or not the corporation could. The board of directors makes the decisions. The money is gone now.
- Mr. Ramsay: May I ask a supplementary? When you refer to \$7 million, are you referring to lost sales or actual cost of the strike to you?
- Mr. Sinclair: That is actual loss, not loss potential but loss.
- Mr. Martel: I want to go back to that because that intrigues me too. You said there was no real loss in pension. I understand what you are saying except in the final analysis there is a loss when someone takes his pension. If you reduce the last 10 years downward, the pensions they anticipated when they were working for Anaconda and the pensions they ultimately received are substantially different so there is a loss.
- Mr. Sinclair: Yes, if you want to look at it from that standpoint, but it is not as much a loss as it would have been if there hadn't been a contract because the plant was going to shut down and there would have been no pension other than what they had earned up to that point.
- Mr. Martel: To a worker the ultimate thing is when a 20-year man pays into a pension for 20 years with the anticipation of having \$595 pension when he retired and in the middle of the ball game the ground rules are changed and his ultimate pension is \$150 to \$200 less, that is a substantial loss.

Mr. Sinclair: Potential loss.

- Mr. Martel: We are talking \$2,500 a year maybe. That is a substantial kick where it hurts most.
- Mr. Sinclair: I don't argue with that. All I am saying is he didn't lose what he had earned up to that point.

Mr. Martel: I understand that.

- Mr. Sinclair: The new one was competitive with what was going on around us. Our own parent paid less pension than we were paying.
- Mr. Martel: You have to understand to a worker who has been there for 20 years, there is going to be resentment.
- Mr. Sinclair: I don't argue with what you are trying to say. I recognize that. All I am trying to say is that I felt the company was fair in doing what it had to do in the most humane way it could. It didn't try to take away from what people had already earned.

It said, "Look, fellows, these are the facts of life with respect to the future. If this is satisfactory and you sign an agreement then that is the way it is going to be." I just wanted to clear up some of the background around how the decision was made in the first place.

Mr. Martel: It was a substantial holding point in order to make the company viable.

Mr. Sinclair: That is right. The tube mill would have been successful had it not been for a seven-month strike.

Mr. Cooke: You may have already given us this statistic, but what was the dollar value of sales at this particular plant, the one plant in Canada?

Mr. Sinclair: The particular tube mill would run around \$30 million.

Mr. Cooke: Do you have any idea how that \$30 million in sales has been replaced since you have gone out of production?

Mr. Sinclair: No.

Mr. Cooke: Do you know whether most of it is foreign?

Mr. Sinclair: No. A good part of it would be domestic, to the best of the domestic competitors. There were three people in the business.

Mr. Cooke: Have your domestic competitors expanded to pick up the \$30 million?

Mr. Sinclair: I believe both of them are.

Mr. Cooke: Who are the domestic competitors?

Mr. Sinclair: Noranda Metal Industries, a division of Noranda Mines in Montreal, and they also have a plant on the west coast, and UOP Manufacturing, Wolverine division, in London, Ontario.

Mr. Cooke: When you were owned by an American firm you indicated you could not compete on the American market.

12:10 p.m.

Mr. Sinclair: That is correct.

Mr. Cooke: What about foreign competition, European, were there any sales in--

Mr. Sinclair: Oh, yes.

Mr. Cooke: Were you allowed to compete with them?

Mr. Sinclair: Yes.

- Mr. Cooke: So you have an active sales department that went after business. You didn't have to rely on the parent company to gather your business.
- Mr. Sinclair: That is right. We handled all our sales anywhere wholly from Toronto. We didn't have any sales agreements with the US whatsoever at the time. The only restriction was, "You stay out of the US market and we will stay out of your market."
- Mr. Van Horne: Again for clarification in the 1979 statement the schedule A material cost purchases are listed as \$69 million. Is that from a percentage of the overall cost? Is that relatively constant year to year as a percentage?

Mr. Sinclair: No. It is a cyclical business.

Mr. Van Horne: But as a percentage?

Mr. Sinclair: Not necessarily. Copper is a commodity and it goes up and down in price similar to gold or silver. One year it reached as high as \$1.40 a pound. Then it can drop back down to 60 cents, so that a large part of your sales is just the value of the commodity itself. The percentage of your total sales then varies accordingly up and down with the value of the commodity.

We could run one year with, say, total sales for the company of \$110 million and the very next year it would be \$80 million and you have sold the same number of pounds; it depends on the price of the commodity.

Mr. Van Horne: This \$69 million then does reflect the acquisition of basically copper?

Mr. Sinclair: Yes.

Mr. Van Horne: I am asking these questions to get an overview of your costs generally. I asked the question earlier about the percentage of your overall costs that were wage related. In answer to a question put by Mr. Martel you indicated that the loss was a real loss. I think Mr. Ramsay referred to this same point too.

Mr. Sinclair: Yes.

 $\frac{Mr.\ Van\ Horne:}{ln\ their\ negotiating\ with\ you.}$ In other words, they are aware of the moneys you are losing while you are in a strike situation.

Mr. Sinclair: It is a question of whether or not you are about to convey that amount of money, the terms, to them. It is a negotiating strategy whether or not you convey to them how much the losses are. It can be also used as a tactic on their part, "Hey, boys, they are really hurting." To put it bluntly, it was not until well into the strike that we conveyed to anybody what it was costing.

- $\underline{\text{Mr. Van Horne:}}$ But then well into the strike you had gone past the other--
- $\underline{\mathsf{Mr. Sinclair}}\colon$ The appropriate people were aware of what it $\mathsf{cost.}$
- Mr. Mackenzie: Just a little different sideline. The antagonisms come through even in your own remarks in terms of manpower adjustment committees. I am wondering if you have really thought through that position. In effect what you are saying is, "We are accusing everyone who is out in that mill for being responsible for our problems."
- I am not sure you can make that judgement. Also, I am not sure that we don't have a responsibility to see what we can do in terms of placing those workers. I just thought it weakens your presentation.
- Mr. Sinclair: Well, that has to rest on its own merits. That is our position now. A lot of time has gone past. We know what it costs to set up one of these things. I have looked at that.
- Mr. Mackenzie: That is a very minor cost from your point of view, though.
- Mr. Sinclair: It is an additional cost. It has already cost \$7 million, another \$1.6 million for the cancellation charges. Now we are going to add on going out looking for jobs.
- $\frac{\text{Mr. Mackenzie:}}{\cos t \ \text{you}} \ \frac{\text{Somewhere}}{\text{somewhere}} \ \frac{\text{cost}}{\text{pou}} \ \frac{\text{somewhere}}{\text{somewhere}} \ \frac{\text{cost}}{\text{pou}} \ \frac{\text{the COLA}}{\text{to go for the maximum}} \ \frac{\text{somewhere}}{\text{somewhere}} \ \frac{$
- And there was a month's period during that whole operation where you made the decision, on top of which we, as a province, based on \$30 million sales out of that mill, without losing any of it to foreign suppliers, based on the 20 per cent of the stuff that is not made anywhere else, we lost \$6 million there in terms of what we, as a province, have to pay for imports now. It seems to me there are losses all the way around that far outweigh anything that would have been lost on that agreement.
- Mr. Sinclair: But you are asking me to increase my losses.
- Mr. Mackenzie: No, I do not know why you would be, it was a viable operation.
 - Mr. Sinclair: Sure, after we paid for the program --
- Mr. Mackenzie: Well now, the cost of that program is so minor as against costs that all of us are picking up in terms of what we have to do to replace those workers. I am not sure you can blame every one of them, which seems to be the attitude.
 - Mr. Sinclair: Every one of the people whom we laid off?

No, I do not blame every one of them, that would be crazy. However, it becomes an administrative problem.

Mr. Mackenzie: That is just not a rationale for saying, "We are not even going to co-operate in terms of the manpower adjustment committee," that is my argument.

 $\underline{\text{Mr. Sinclair}}\colon$ Let me put it another way. I would have been glad to put in a manpower adjustment committee under any other circumstances.

Mr. Mackenzie: You're saying the same thing in a different way.

 $\underline{\text{Mr. Sinclair}}\colon$ I feel the company's trust in the worker was strongly challenged and betrayed in this unfortunate set of circumstances and things will never be the same again.

Mr. Mackenzie: Never is a long time.

Mr. Sinclair: People have a way of remembering. The strike in 1946 was quoted to me many times by the workers during this thing. It is unfortunate but it happens. That happens to be our position.

Mr. Chairman: A final supplementary, Mr. Martel.

Mr. Martel: What bothers me is that you have offset a million. You have lost \$1 million something on the equipment, and to get a package would have cost you \$600,000.

Mr. Sinclair: No, no, you are very wrong. You are really quessing when you come to that.

Mr. Martel: No, you are the one who told me the figures. You told me \$2 million for severance pay.

Mr. Sinclair: No, what I have told you since then-- That figure is wrong. You are trying to put words into my mouth as to how my negotiations should have been carried out. I am not prepared to accept that.

Mr. Martel: It is your attitude that bothers me more than anything. It is a vindictive attitude and it is a--

Mr. Sinclair: I have been burned; boy, have I been burned.

Mr. Martel: So have the workers. It shows through here, everything you say is with resentment, it oozes out. As I look at the losses, if I were on your board of directors I might have your hide for it.

There is a \$6 million or \$7 million loss during the strike, there is \$1.5 million loss for the equipment, and if the COLA clause cost you \$2 million, which I am somewhat dubious of--I would not mind if you presented us with the facts that led to that determination if those are the correct figures, I question

that--it seems to me that some of the loss and some of the problems rest not with the workers but on your shoulders.

Mr. Sinclair: Of course they rest on my shoulders. It is my responsibility to operate the company with what is left, to try to have it survive under very tough economic conditions and to try to restore a degree of peace within the union.

I do not challenge anything you are saying there, but a lot of scars occurred during this thing. Maybe they will heal over with time and we will try to make them heal over. I am not going to carry a vendetta from now to forever, there is no way, the business could not run that way, but if you catch me at the right time in the right frame of mind, yes, the wounds will open up again.

Mr. Van Horne: Mr. Sinclair, have you had a chance to take a look at our interim report from this committee?

Mr. Sinclair: No, I have not.

Mr. Van Horne: You realize the mandate that the committee has?

Mr. Sinclair: I do not think I really do, but I will give you what my understanding is. It is just to investigate the circumstances surrounding plant closings and then make recommendations with respect to what should be done when there are closings in terms of employee treatment.

12:20 p.m.

Mr. Van Horne: Adjustment committees and so on. Without getting into any detail of that mandate, I think the questioning here today has opened up some wounds and I guess that could not have been prevented no matter what the dictates of the chair or anyone else might have been.

However, I think we have gotten a little off track. We do have a job to do as a committee and one of those jobs is to recommend to this House some changes that should be made in the Employment Standards Act or in any of the existing legislation as it applies to businesses such as yours.

Is there any suggestion that you would have--and I direct the same question to the union people--for changes in the existing legislation that would in any way help or make easier the role of management or the role of the union people at a time when you do have to face closure, layoff notices or whatever? Can you or your colleague suggest any changes that we should be considering?

Mr. Sinclair: First of all, I do not have any objection to trying to make the best of a lousy period of time from both the company's standpoint or from the workers' standpoint when it comes to a situation that we have been through. I do feel, though, having checked what would have happened if what I believe some of your recommendations have been had applied to our case, and I am just not in favour of that happening, which is if we had been

required on top of the strike to pay the--what is it, one month per year of service?

Mr. Van Horne: One week.

Mr. Sinclair: One week per year of service severance, at the end of seven months we would have had to pay another \$1.6 million, which I submit tends to put the rest of the operation in increasing jeopardy as to whether it will survive. Under that set of circumstances you could, if it becomes a carte blanche with no quid pro quo on the conditions, make a bad situation worse.

Mr. Chairman: Mr. Sinclair, if I may just interrupt here, would the presence of mandatory severance pay legislation, one week per year of service, have forced you to make the decision to close earlier?

Mr. Sinclair: I do not know whether it would have or not, really. We just went as far as we could with the thing and then said that is as far as we can go. If it had been in place at the time, it might have forced us to make a decision sooner.

Mr. Cooke: Or would you have considered the economic cost of closure and looked at other alternatives; in other words, maintaining your operation?

Mr. Sinclair: I really do not know. I think it should be raised, though. I look at it in our case, we have been through the heavy losses; it is not going to be easy to make the remainder be sure that it is the kind of business we had hoped it would be, because there is less to begin with now. So to add something like this on top would have caused additional hardship, I submit, to the overall detriment of the whole organization.

Mr. Van Horne: I would just like to finish by asking, if you do have the time, realizing that you, along with everyone else here, has lots to read, but if you or your colleague could take a look at this report and react to it, that would be helpful to the committee.

I would say the same to the UAW executive. At this point we haven't had your reaction to those.

Mr. Sinclair: I will be glad to look at it.

Mr. G. Taylor: If, as you said earlier, your wage package was running neck-and-neck with that of your American competitors, and if you were to add on a severance pay feature, as Mr. Van Horne has mentioned, how much would that put you out of competitiveness with those jurisdictions? You were worried about how much of that American market and even Canadian market you could hold.

Mr. Sinclair: If you added severance on?

Mr. G. Taylor: If you added severance on and it didn't get added on in the jurisdiction, how much of a percentage play have you got in markets and in similar industries that are so

tightly marginal in their competition with the others?

Mr. Sinclair: I am not sure I understand that question entirely. If it is a severance amount, that is a one-time payment and it doesn't get added into your overall wage package.

Mr. G. Taylor: But you have to include that potential contingency somewhere along the line if somebody says you have to put a guarantee in there. So you would have to pay a percentage of your profits. Or purchase anything--

Mr. Sinclair: If there was an insurance plan, it would be ongoing. Otherwise, it would be a contingent liability that would be a once a year thing.

Mr. G. Taylor: But is a contingent liability in a competitive feature so negative--

Mr. Sinclair: That does not exist anywhere else in North America, so it is one more--

Mr. G. Taylor: But is it so negative a feature you couldn't build it into your system and still survive?

Mr. Sinclair: Anything you add in that is significant in high cost and is out of line with the industry in North America adds into these kinds of decisions. It depends on what you arrive upon to determine how large a factor would be in there.

If you were going to be building another plant, you would look at where you were going to locate it, knowing that kind of situation existed. You can put it in now but it is going to affect the future, depending on how far you go there. That is how I would respond to it.

Mr. Mackenzie: (Inaudible) setting it aside totally.

Mr. Chairman: It is 12:30. Thank you very much, gentlemen from the union, for your time this morning. I think I am correct in feeling that the committee will not require the presence of these witnesses this afternoon. In that case, we will not meet back here until 3:30.

As your agenda indicates, we have the gentleman from the Ministry of Industry and Tourism, who bring some expertise in the GATT agreement matters to the committee. So we have some additional time until 3:30. He is not available earlier.

Mr. Mackenzie: Have we ascertained for sure that the union or the workers don't want to make any further--

Mr. Chairman: No, I am open on that. I am open to hearing the committee's response to that.

12:30 p.m.

Mr. Gill: Just briefly, if management doesn't mind me sitting on their right for a change. In reply to Mr. Van Horne,

the union will be making an overall presentation on January 14, at which time we will be commenting on your interim report.

The only thing I would like to say in conclusion is that we set out a certain premise in the presentation we made today. Although we acknowledge there was a lengthy strike, there were negotiations that may not have been satisfactory from the corporation's point of view, but they also contend this was not necessarily the case in point. We still maintain this was, to use our term, a capricious act.

The evidence elicted from management this morning clearly points out that this was not predicated on normal financial considerations.

Mr. Sinclair: Of course it was.

Mr. Gill: I think the evidence is very clear that in 1979, the first full year under the new management, which I think is quite significant, this operation made a profit of \$500,000. Our submission is that if it made that in 1979 even with some of this old equipment, and not all of it is 60 years old, the thing is a viable operation in 1981.

Mr. Chairman: Do you really mean that?

Mr. Sinclair: Do you want to lend me the \$8 million?

Mr. Cureatz: Mr. Chairman, we are not here to have a confrontation of labour-

Mr. Gill: Can I finish? Is that possible?

Mr. Chairman: Of course it is possible. We can all come back at two o'clock. It is all possible. We are here to serve your interests, but I will tell you, in all candour, each person in this room is quite capable of interpreting the evidence presented this morning, yours and the company's.

Mr. Gill: I am not interpreting it for you. I am just reaffirming what was given.

Mr. Chairman: Fair enough.

Mr. Gill: I wouldn't dare interpret evidence for the committee.

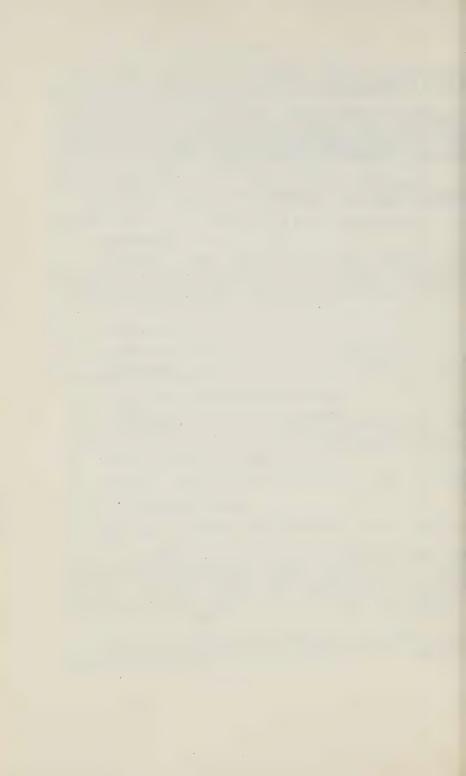
What we have before us is slightly different from your previous consideration. We pointed that out. Your interim report does not cover the matter we want to raise and which we will certainly be raising on January 14. That is, when a corporation decides to close part or all of its operations, there should be some justification for the closure. This is what we are getting at in this particular process.

It is our contention that the market is still there. It is being served by competitors, and I should point out that both competitors are foreign-owned, which should be of some concern to this committee. Possibly some of it, I think 20 per cent was the figure given, had to be sourced offshore. This should be of concern to the committee.

I wish you would prepare yourselves to look at that sort of consideration apart from the normal consideration you are giving to the Employment Standards Act, the Labour Relations Act and so on. This is another area entirely, which may be of more interest to us in the long term than the mere fiddling around with the Employment Standards Act. I will leave it at that.

Mr. Chairman: Again I thank all of you, gentlemen, for taking time to be with us this morning. We will reconvene here at 3:30 this afternoon.

The committee recessed at 12:30 p.m.



LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, JANUARY 7, 1981

The committee resumed at 3:41 p.m. in room 228.

TARIFFS

Mr. Chairman: I will call the meeting to order. Mr. Roger Hill from the Ministry of Industry and Tourism has under short notice agreed to meet with us today and has two of his colleagues from that ministry.

Mr. Hill, on behalf of the committee, may I welcome you to the meeting and thank you for coming to answer some of our questions. It is our hope that you would introduce your colleagues for the record and you and your colleagues hopefully will have an opening statement or general comments. As you well know, one of the many areas that we are trying to develop some more knowledge of is the whole question of tariffs. It is in that context we hope you can help our learning process somewhat.

I will turn the meeting over to you and your associates and you can begin at your leisure.

Mr. Hill: Thank you, Mr. Chairman. I look to the committee for a certain amount of guidance in the first instance. My understanding in terms of what I am prepared to talk about is the background and the outcome of the multilateral trade negotiations which involved some significant tariff cuts to 13 Canadian manufacturing and other sectors of the economy.

At that time there was a serious multilateral negotiation of what are called nontariff barriers to trade. These are fairly involved and complex issues. It was a very major negotiation and I could speak at some considerable length on this or, equally, I could make a very brief statement.

In the first instance, I look to you for guidance.

Mr. Chairman: I will start you off, if I might. As you know, our title, select committee on plant shutdowns and employee adjustment, is in itself pretty open-ended and that has been reflected by a lot of the questions that we have put to witnesses in the first six or seven weeks of our meetings.

That happened in one of our case studies, SKF, the Swedish multinational ball bearings plant in Scarborough that was closed. The question arose about what our policy is vis-a-vis tariff barriers against Swedish or other nations' manufactured goods and how that might impact upon the matter of plant shutdowns in the province in the future.

That was the one specific area, I think, where we began as a committee to ask questions about tariffs and what the government's policy was in that area.

Can I start off with a general question? As a nonexpert, it is my very strong suspicion that we in the free world are partway along a process whereby tariffs between the major trading countries are being reduced. That is an accelerating trend, a reality that Canada has had for some years to try to adjust to and will have to continue to adjust to. To what extent is that phenomenon going to jeopardize jobs in this province in your judgement?

Mr. Hill: The feeling, certainly the judgement that we have on this issue, is that the results of the Tokyo round negotiation are unlikely to jeopardize jobs in any substantive way. There may be certain sectoral consequences and if those do emerge, they would have been essentially unanticipated.

Let me, perhaps by way of background, indicate why I have made that statement in a general sense. This negotiation essentially began in 1973 and was concluded in 1979. It involved about 100 countries, but really there were five major groups of players: the Japanese, the United States, Canada, of course, the Europeans in terms of the members of the European Economic Community, which involves a large number of countries, and what was called the Nordics, those European countries that are out of the European community but have links.

 $\underline{\text{Mr. Van Horne}}\colon$ I am sorry, I am finding it difficult to hear you.

Mr. Hill: I am sorry, I will speak a little louder.

What the negotiation, in essence, boiled down to was a negotiation between these five major players with the other countries playing a much more peripheral role. This was not the intent, necessarily, of the negotiation when it started in 1973, but it was certainly one of the main outcomes.

What was interesting about this negotiation was two things. One, it dealt not only with tariffs but it also dealt with nontariff barriers to trade, or so-called nontariff barriers to trade. In brief, this refers to the practices of certain countries to use various instruments, for example, state control over purchasing or the use of standards, this kind of phenomenon, to in some way limit trade and the free movement of goods across borders. This was one element that was distinctive about this negotiation.

From a Canadian point of view, the other thing that was fairly distinctive was that the provinces were very actively involved--not so much in the negotiation because for obvious jurisdictional reasons trade policy is essentially a federal responsibility, but in terms of soliciting the views of the provinces, their concerns, what they could and could not live with.

Ontario put very significant resources into that exercise for a number of years and, whereas one can sit back at the end of the day and say, "Well, it was a federal negotiation and a federal decision," the fact is we would be to say that we feel the kinds of concerns that Ontario raised were pretty well reflected in the

shape of the final outcome; i.e., in a very general sense where there were tariff reductions these, we feel, were in areas that we were competitive enough to sustain such reductions.

The critical issue, of course, in a negotiation is that you not only give but you also benefit in terms of improved market access to other countries. There were some enormous benefits, particularly in terms of increased access to the United States market which is our single most important market.

3:50 p.m.

There was some significant improvement in access to countries, surprisingly enough, like Japan, via what is called the civil aircraft or civil aviation field, and certain improved access to the European community, often resource-related but certainly with benefits there. So we did not simply give. We also obtained some advantages as a result of this negotiation.

Mr. Chairman: Mr. Hill, if I may interrupt, I think Mr. Martel has a question. Just before he asks, we are in your hands but would you care to respond to questions throughout your opening comments or do you want to wait and complete the background? Mr. Martel will go ahead anyway.

Mr. Martel: With the branch plant type of economy that we have in Ontario, many of the American companies come here and put a branch plant in Ontario simply to get over the tariff wall, for the removal of tariffs. The companies we have already talked to seem to me to indicate that what they are lining up for and what the ultimate future for Ontario is going to be is one where, as the tariffs are reduced, it will be to their advantage to retrench, rationalize, call it what you want, back to the United States and meet the Canadian need or the Ontario need simply as though we were the 51st state of the union.

I am not sure how we get away from that if all these small companies can just tack on another shift and expand their production capacity in the United States. What does that hold for us?

Mr. Chairman: Before you respond to that--and I am asking you because I don't know the answer--of the companies that we have had before us, which ones in your judgement are in that category?

Mr. Martel: Outboard Marine and I guess SKF, although it is not American. It is Swedish but they are going to supply from Lisbon and they have rationalized production.

Mr. Mackenzie: And Philadelphia.

Mr. Martel: The mining one is something different because it's a different kettle of fish from tariffs.

Mr. Mackenzie: I suspect Armstrong Cork as well but I don't know.

Mr. Martel: I am just talking about the ones who appeared before us where the rationalization occurred in the decision to supply offshore. One question that we have prepared for us down here, which I would like to get to eventually as well, is mining equipment which escapes all tariff barriers.

They can circumvent the law at will in order to get their equipment into Ontario. That is one of the key factors why we have never developed the production of mining equipment. We are the largest single importer of mining equipment in the world despite being the third largest producer of mineral wealth.

That whole bag, it seems to me, is one that is contradictory to those people who espouse a reduction of tariffs. For some it might be logical but with others, I really worry about.

Mr. Hill: The question you have raised is one that certainly will be debated into perpetuity, I would imagine, but some factual considerations perhaps might be worth bearing in mind. I think that as this committee looks at this issue and tries to relate it to plant closures, you want to ask yourselves how critical was that tariff reduction in terms of the actual decision that was made.

The reason I raise this point is that where there is a tariff--and obviously in a sense you pointed out that in many sectors of the Canadian economy there are no significant tariffs--I would also point out that there are many viable sectors that are based here that don't necessarily need tariff reductions but where in fact the tariffs have been fairly significant.

Mr. Mackenzie: The shoe industry, for example.

Mr. Hill: I would like to speak to that issue separately because in the context of the multilateral tariff negotiations, the concessions were either nonexistent or infintesimal. There is a renegotiation of what is called the multifibre arrangement, which will get under way this year. I can certainly speak to that specifically.

Mr. Mackenzie: They are not moving for further reductions which some people in the textile industry will claim is the only thing that saved them as much as they have.

 M_{Γ} , [iii]: Tariff reduction depends, if I could just stay with the textile industry--

We have been fairly informal here and I would like to keep it that way, but with a small change. You have completed your supplementary questions, haven't you?

Interjections.

Mr. Chairman: All I want to say is I am running a list. Mr. Williams and Mr. Cooke are on the list. After you have responded to Mr. Mackenzie, I would ask the consistee to co-operate and make Mr. Hill's effort a little easier by waiting until he has finished.

Mr. Hill: I get sidetracked. Where the wasteriff protection prior to the conclusion of the multilateral trade negotiations, it would have fallen in the 15 to 17 per cent range after eight progressive steps, after 1987. Those industries will still be protected by tariffs in the range of nine to 10 per cent. If we had 10 per cent tariff protection today, those would be considered very high by international standards among developed countries. Developing countries have enormous tariffs, but they often have very inefficient industry.

So, as of 1987, there is still going to be very high tariff protection for those industries. I say to you yes, there have been reductions but there will still be tariffs.

Mr. Martel: But SKF indicated to us that for them it's coming in--

Mr. Turner: From Japan?

Mr. Martel: No, it is coming in from Lishon as I understand, but I could be wrong. They said to us for them to crack the European market, for example, one would need more than the 10 per cent that is in existence for bearings into Europe; that a Canadian operation should look around for sources other than the strictly Canadian market which, unfortunately, most of the corporations we have in Ontario serve.

Many companies don't serve other than the Committee market, which is relatively small except for mining equipment, which is the biggest one, and we are not even into it. I think they have been able to get around it because of no tariff barriers, which has led to no mining equipment production.

Mr. Hill: You are talking about the multinationals which, as you say, have traditionally been set up to serve, specifically, the Canadian market. Their strategies are evolving. They are evolving for a large number of reasons. The other point I would make about multinationals is that they locate to seek markets, but they will also locate in terms of efficiency-seeking, that is, what is the most productive location to undertake a certain kind of activity.

The decision to locate that activity is not automatically related to wage rates. Of course, cortain types of productive activity will be related to wage rates, in which case it goes to what is properly called the NICs, the newly industrialized countries, the South Koreas and what have you, if that's the only consideration. But for more sophisticated forms of manufacturing activity, what you need is a fairly complex infrastructure of skilled people, management capability, research facilities, et cetera

The decision to locate in Ontario will continue to be made, I would suggest, by multinationals in terms of that efficiency-seeking.

Mr. Martel: Why?

 $\underline{\text{Mr. Hill}}\colon$ Because you have resources. You have human and natural resources and infrastructure resources.

Mr. Chairman: Stable government.

Mr. Martel: But that is not what would transpire. The companies would come here to get across a tariff barrier. We are not as big as the city of New York. If I could supply something into Ontario from a plant in New York, as I supply the state of New York, what inducement is there for me to come here, activitized and when we are allowing natural resources to flow out the way we do in this country? In fact, I think right now there are 34 exemptions even to processing in Ontario.

4 p.m.

If I can get my resources into the United States, and I have the large market and the large plants which we have rationalized, what is the incentive to locate in Ontario? Research and development is not done in the host country. What is the incentive for them to locate anything in Ontario?

Mr. Hill: This may sound trite, but I think it is critical to remember that one of the important considerations is that where there will be expansion may be very much predicated on the fact that they are already here.

Mr. Martel: But if one looks at John Turner's company in his riding, where they used to produce 50 per cent of the parts and are now down to next to nothing--

Mr. Turner: But that is not a tariff situation, with all respect.

Mr. Martel: But it is going to become a tariff situation.

Mr. Turner: It may in the future, but it is not at this point.

Mr. Chairman: Armstrong certainly wasn't. That is why your whole thesis is something that is eluding me.

 $\frac{\text{Mr. Turner}}{\text{Turner}}$. The only one that was clearly identified in my mind was $\frac{\text{SKF.}}{\text{SKF.}}$

Mr. Martel: No. You had better look back at Outboard Marine to see why they are now simply sending parts in for assembly. They are not producing parts.

Mr. Hill: I am sorry, I think it is very important to remember, and this testimony indicates it, that the tariff rate for SKF was 15 per cent. The reductions in the tariff that took place as of January 1980 would have reduced that 15 per cent to about 13 per cent. It is not credible, in my view, to argue that the critical decision was the reduction in protection of the tariff of one or two percentage points, while the Canadian dollar

probably decreased by a much more significant percentage. We would have to sit here in terms of when these decisions were alleged to have been made.

The fact is that a lot of attention is put on the decline in the tariff rates without recognizing that the effects of a one or two percentage point change in any exchange rate has consequences which are much more significant, much more demonstrably measurable. There are probably a host of reasons involved in some of these corporate decisions. But it is critical to identify just how important the decline in tariff protection was in the total decision making process.

Mr. Williams: I am wondering if we could perhaps hear the overall analysis of the results that led you to make that general statement that you felt that employment in Ontario would not be significantly affected by the GATT agreement.

You tried to portray what had happened in Tokyo and how the discussions took place with the five main actors, and you stressed the fact that the provinces were heavily involved for the first time, which I know is of some significance. But I don't think you really had the opportunity before the questions started, really, to synopsize the end result of those discussions that leads you to that general conclusion that employment, by and large, in Ontario will not be adversely affected by the result of those discussions, either the tariff reduction aspects or the nontariff reduction aspects.

I wonder if you could somehow capsulize and highlight what the end results were. I recall reading about it some months back, and I would like to have that information before the committee--unless you have some type of synopsis chart you can give to us that might then give us an opportunity to deal with specific companies in a more intelligent manner. I think we are sort of jumping all around here, trying to deal with specific cases, and not really coming to the basic issue of the general impact of the GATT discussions.

Could we stay with the generalities for a few moments until we get that presentation completed? Then we can get into specifics if we deem it necessary.

Mr. Hill: In terms of the outcome of the GATT, as I indicated, there were two main negotiations, one related to tariffs, the other to nontariff barriers. I will deal with each of those separately.

In terms of the tariff outcome, Canada agreed to some significant tariff cuts. As I indicated in my earlier response, for those sectors or those specific industries that do have tariff protection, the majority, prior to 1980, would have fallen in a 15 to 17 per cent category. At the end of eight years, this protection will be reduced to 10 per cent. As I also indicated earlier, this is still very significant protection by international standards.

Mr. Williams: You are saying that the protection is the

phasing aspect of it over that eight-year period, rather than its being implemented in a shorter period of time, which could have had some impact. Is that what you are saying?

Mr. Hill: I am saying, for an item which at this time has 15 per cent protection, eight years from now it will have 10 per cent protection. It will still be protected, but I agree with you, the point about the phase-in period--

Mr. Williams: Stretching it out.

Mr. Hill: --stretching it out over this period of time. This, in fact, was a very critical Canadian negotiating objective and one that was very fully supported by the province, the feeling being that, over an eight-year period, one can see two business cycles, et cetera, so that you can have your long-term structural adjustments without being necessarily overwhelmed in a short-term downturn in the business cycle, the kind of phenomenon that we are going through at this point. So in terms of the positive then, there will still be significant Canadian protection at the end of eight years.

The other element that needs to be played up is that there were very significant tariff concessions. I have talked about the significance of the US ones. In concrete terms, whereas US tariff protection prior to 1980 was in the neighbourhood of eight to nine per cent, at the end of this eight-year period it will be closer to five per cent.

Mr. Williams: In our favour.

Mr. Hill: Yes.

Mr. Williams: That is the US protection that will be reduced.

Mr. Hill: Yes, it will be reduced. Canadian products going into the United States after 1987 where they face tariffs in the normal situation, it will only be at the rate of five percent. This is not a significant tariff.

Mr. Williams: Do you feel that the other situation that you referred to, the eight years and 15 to 10, is significantly offset by the benefit flowing to us from the US arrangement with the--I am sorry, what was the percentage here?

Mr. Hill: Eight or nine to about five. I think probably what is more important, if one is playing up the significance of the tariff, is that at the end of this period, 80 per cent of Ontario's exports to the United States will be going in duty-free.

Mr. Williams: What is the percentage now?

Mr. Hill: It is under 70, so really it means some significant gains. It would suggest to me that what we have done is to have gained access to a larger market. Therefore, firms producing viably now in Ontario can up their production for a larger market. One should see some significant business benefits

emerging from that access to a larger market, especially in those situations where it has been suggested the Canadian market in and of itself is too small to achieve so-called economies of scale or economies of efficiency.

4:10 p.m.

Mr. Williams: Are you suggesting that contrary to what has been suggested, the GATT arrangements that were arrived at will work more to our advantage than disadvantage, as far as ensuring a relatively high level of employment in the province?

Mr. Hill: Let me put it this way. What the GATT outcome has done is to open up a number of very major opportunities. The critical thing people like myself who have been close to a tariff negotiation can't answer is how does the business community respond?

One assumes the business community responds to opportunities that yield profit, et cetera, as it has for centuries. One would anticipate they will continue to respond that way. Obviously that is the assumption that is built in.

My broad optimism is that, yes, we are going to get some fairly positive benefits from the MTN outcome is predicated on that kind of response from the business community. I think they will take advantage of the opportunities.

Mr. G. Taylor: In the ongoing GATT negotiations how much does our rapidly declining dollar, now roughly 20 per cent, fit in? As you are going down on the tariff to about five per cent, our dollar is going down faster again, giving us an added advantage. How does that involve itself in the negotiations, or does it at all?

Mr. Hill: It doesn't at all. The tariff negotiations deal with the structure of protection. In a sense, exchange rates are there to provide the equilibrium in the overall balance of payments of a specific country. What we are seeing is a declining exchange rate for a number of fairly complex reasons, some of it psychological; some of it points to the Canadianization of the program of the federal government vis-a-vis oil, as allegedly--

Mr. G. Taylor: Is it ever raised as a bargaining lever in GATT saying, "We are going down to five per cent, but you fellows are dropping at a much more rapid rate on the dollar, which gives you an even greater percentage advantage because you are already up 10 per cent using today's figure, if you are down to five"?

Mr. Hill: No, there are no offsets. The tariff takes place in and of itself and one looks for reciprocity. One tries to obtain a value of benefits from conceding tariffs, as one is in fact conceding. That is only within the tariffs. It has nothing to do with exchange rates.

Mr. Williams: Just one other question I want to tie in with my basic concerns, coming back again to your general

statement that you felt the GATT arrangement was not working adversely against employment in this province.

I am just trying to get the time frame here. Are you talking about the immediate future, the short term or the long term, or are you tying it in with this eight-year factor that was so important in the discussions? Are you talking about a period of, say, a decade that would be the period during which the results of those discussions would appear to impact on our economy one way or the other?

There must be some time frame in which you feel it is all relative to the GATT discussions. The eight-year factor is obviously a very significant one. I guess there would be some effect subsequent to the eight-year period as well. Is there a time frame in which you are talking about it not affecting our economy adversely when you talk about this GATT situation?

Mr. Hill: Yes, a good point. Clearly a year after reductions began any tariff-related job losses at this point in time would be negligible. Seven years from now at the end of the process one could argue that you may pass a critical threshold. When, I don't know. I don't think anybody can really give you a definitive answer. If it gets below 12 per cent does something become untenable?

As I said earlier, the critical issue will be things like, as the tariff comes down, what is happening to exchange rates? What is happening to relative labour prices? What is happening to productivity? What is happening to an awful lot of very big economic developments that are impacting on the viability of certain sectors?

It is enormously difficult to identify what the tariff effects themselves will be at any given point. People have tried it. This is not the first negotiation.

People have tried to isolate the impacts of the Kennedy round, for example, and what did that do to Canada. At the same time the results of the Kennedy round were being implemented and the tariffs were coming down, although from a higher level, things like the auto pact had also been negotiated and enormous volumes of investment and jobs and other spinoff effects were being generated. It is very difficult to isolate what the effects were of the tariff cuts under the Kennedy round from other developments within the economy, some positive and some negative.

Mr. Williams: That leads me to just one further question. You suggest that it may take the eight-year cycle to really see whether any adverse effects might impact. On the other hand, knowing what the tariff reductions are over the eight-year period from 15 down to 10, I presume that any prudent manufacturer, corporation or whatever, because of that, coming now to a specific type of industry, whatever it might be, if those tariff reductions affected their particular industry, they would be planning now to either meet the effect of those reductions in tariffs from one extreme to the other; either they would see some advantages to them or they would say, "Three years from now we

will lose a two and a half per cent tariff barrier and we know from our competitive position in the marketplace that we can't survive and we have got to close down." They would make those decisions now.

Mr. Hill: Yes.

Mr. Williams: So if that situation prevailed, given that example, it may be some companies would be making those announcements now and it would impact maybe a year or a year and a half from now when companies have to close down if they feel the tariff barriers had been so significant they can't operate economically. Has there been any instance of that occurring since the GATT negotiations?

Mr Hill: Our understanding of the normal business decision is not that one looks out 10 years from now and says, "This is terrible. We will never be able to be viable then," and thereby close the operation today on tariff grounds. Closing of a plant may have an enormous number of reasons, but not a priori on tariff-related grounds.

4:20 p.m.

What will happen if that anticipation exists is there will be, in a sense, a disinvestment; i.e., there will not be more investment into that particular activity, but it will not automatically be closed down. There is still machinery in place; there are people in place, et cetera.

So, yes, those areas that are deemed to be import-sensitive will not necessarily get the new investment. However, again, one must look at the offset. There will be the areas that will be deemed to offer new opportunities; so what you will see happening is a shift into those new growth opportunities, again, in terms of the long term.

But the act of just simply closing a plant today on the basis of some tariff rate X number of years down the road, especially when, as I keep repeating, you just do not know what the other variables are going to be, is not really a rational business decision.

Mr. Chairman: I just want to be clear about this. Have you finished your opening statement? I know that we have been jumping all over the place and there are half a dozen members now who do wish to question you.

 $\underline{\text{Mr. Hill:}}$ Perhaps you could just continue the questioning.

Mr. Cooke: I just want to ask a couple of brief questions. First, there are a lot of auto parts companies in my home area of Windsor, many of which are not under the auto pact because they are in replacement parts. It is my understanding, from one in particular, Champion Spark Plug, that because of the reduction on tariffs for replacement parts, over a number of years there will be no longer a need for a branch plant in Windsor

because it will be cheaper to rationalize and to have longer production runs in their headquarters in Toledo.

Doesn't that make sense for the whole auto parts industry? What was the change in tariff rates under GATT? Did it go from 15 to 10?

Mr. Hill: About that, yes. I can give you a specific number, I hope without too much trouble. But the aftermarket, as you say, is tariff-protected. Again, the tariff protection is going to be fairly significant. In the auto industry 10 per cent tariffs are considered to be significant tariffs.

Mr. Mackenzie: A hell of a lot less than 15 per cent, too.

Mr. Hill: It's a hell of a lot less than 15 per cent.

Mr. Cooke: The only reason that companies like Champion Spark Plug ever located in Canada was to serve the Canadian market. As you know, it has been one of the problems under the auto pact and in the auto industry for a number of years that they are not allowed to compete in the American market. And, for that matter, many of them are not allowed to compete in the European or any other markets. The only place they are allowed to compete is here in Canada.

Therefore, over a number of years, it seems to me, if the tariffs are dropped, and if the only reason they ever located in Canada was to meet the Canadian market, eventually they will phase out their operations in Canada.

Mr. Hill: True, if you want to do static analysis, which is that they came here in the first place only to serve the Canadian market and that they will only ever remain--

Mr. Cooke: Well, that's how the parent corporation operates. The parent corporation of most of the auto parts companies restricts the sales and marketing to the Canadian market.

Mr. Turner: Yes, but that's a corporate decision.

Mr. Cooke: That's a corporate decision, but that just goes to show that the only reason they are here is to serve the Canadian market, to get around tariffs. If the tariffs are lowered, then there is no financial incentive for them to stay here.

Mr. Hill: Valid, but again, it is not inconceivable that the corporate strategy, one, will change, or, two, can be influenced to change.

Mr. Cooke: In my auto file I have a presentation that was made to the federal royal commission on the auto industry in 1960. Mr. Frost was the Premier at the time, and it was made by the government of Ontario. If you changed the names of a couple of the cars and a couple of the countries, you could make exactly the same presentation now to the federal government.

But, in any case, one of the major components of the presentation in 1960 was that branch plants in the auto parts field were not being allowed to compete in European and other worldwide market, as well as the American market, because of restrictions by parent corporations. It was seen as a very detrimental thing for growth for our industry.

They have been talking about it for at least 21 years and they have not been able to get parent corporations to change those policies. Why the hell would they change them now when tariffs are lower? There is even more of an incentive to rationalize and eliminate their Canadian operations. I cannot see why talking to the corporations is going to change their minds now after 20 years.

Mr. Hill: I don't, for one moment, pretend to sit here as an auto expert. I am reluctant to get heavily into this.

Mr. Chairman: To help me out at least, I think this is an important line of questioning. Even I am understanding it. I am anxious to try to get a good understanding of the answer.

It seems to me that you are going to direct your answer specifically to the auto aspect of it because we are using the example of spark plugs. I do not want to complicate your answer, but could you answer it in such a way that that example might have been toasters or something other than an auto-related thing like a bumper or a spark plug, because the point surely is at the heart of what we are concerned about here.

Mr. Hill: No. I think that the problem is that the auto industry has its own specifics. There really is a global process of change and adaptation in the auto industry. It has nothing to do with tariffs. It has a hell of a lot to do with a large number of firms, many of them propped up by national governments in various forms, consolidating to the magic number which is 10 worldwide, major firms. We are getting a global rationalization within the major components. I don't know what is going to happen to the aftermarket. As I say, I am not an expert on this, but this is a dimension.

If we look at nonauto-related activity by foreign-owned firms, there I can speak with a lot more authority. The fact is that they may have been set up here once to serve only the Canadian domestic market. Increasingly, they are modifying their strategy. They find they have good management here. They have a good work force. They have a good business environment. They are using the Ontario or the Canadian base to go global.

I very specifically exclude the auto industry. It has its $\ensuremath{\mathsf{own--}}$

Mr. Cooke: Obviously, the auto industry is the biggest sector in the manufacturing industries in Ontario. One in five or one in six jobs in the manufacturing sector comes from the auto sector. If those companies begin to rationalize, which a great number of them have over the last year or so, if they continue to rationalize—and with tariffs lower, there is even more financial reason to do so—we are in great trouble.

The American economy is not as reliant on auto as we are. They have a whole host of other sectors they are strong in that at least can absorb some of the dislocated workers. We are not in that position in Ontario. As you know, auto is the largest manufacturing industry in this province and in this country.

Mr. Hill: I have no dispute at all with that as a fact. As I say, my problem is I don't know enough about the activities of the auto firms to know quite how they are modifying their strategies. I know that some of them--I think TRW, which, I strategies. I know that some of them--I think TRW, which, I strategies is a significant firm in the industry, is very much into using its Ontario base to produce for a global market. I can give you that as an example. I don't know how typical that is.

 $\rm I$ am not trying to evade the question. It is just that $\rm I$ am not sitting here with a body of fact, able to refute or not

Mr. Cooke: I just want to ask for two pieces of information, then I have to get out to the airport.

I would like to know if you could supply the committee with a list of states in the United States that have buy-American policies. In particular, I know that New Jersey and New York do. There was an item on the American news not too long ago where the New Jersey state government passed a law that any vehicles purchased by the government had to be made in the United States.

4:30 p.m.

From my understanding of the auto pact, I think that was a violation of the spirit of it. None the less, New Jersey has that type of law and New York does and I know Michigan and five or six other states are considering legislation along those lines

Perhaps you could supply the committee with that kind of information because I think the nontariff barriers, especially in Japan, are certainly where the problem is. You can have all the tariff agreements you want to have but then countries like Japan put up the kinds of nontariff barriers that they do.

There was a good example of it last night or Fifth Estate in an hour-long program on Japan. They talked about trade with Japan, and the minister, Mr. Grossman, indicated it is not so much the tariff problems, but it is when a company begins to trade with an Ontario-Canadian firm and purchases source goods from Canada. Then the government gets on the phone to that particular company and says: "Stop purchasing from that Canadian company. We have domestic sources where we can get it." That is how Japan has built its economy.

There was \$6 million worth of auto parts sourced in Canada last year and--what?--\$600 million or \$800 million worth of cars sold here. It is not what I call fair trade.

 $\frac{Mr.\ Mackenzie:}{recall.}$ We bought global product mandating, you will recall.

 $\frac{Mr.\ Hill:}{my\ minister}$ I find it heartening that your views and those of $my\ minister$ on the Japanese issue are virtually identical.

Mr. Cooke: Except we might do something about it. Could you get a list of states and the types of legislation they have that restrict fair trade, especially as it relates to auto? I have been trying to get that for a number of weeks now and have been unsuccessful.

Mr. Hill: I am very familiar with the issue. I can very readily give you the list of 35 states that have state buy-American practices. As to whether it would be possible to be able to pull out those that relate specifically to autos, I don't know them. I am not aware of many more than the ones you have identified.

Mr. Van Horne: Mr. Cooke, if I could interject, I was about to ask the very same question you did. You have limited it to states and I am wondering about federal government in addition.

Mr. Hill: There is only one federal government in the US.

Interjections.

Mr. Van Horne: I didn't think I had to draw it out for you, but the question would simply be, in addition to the states, what about the federal government policy? Is there anything you could add in so far as federal government policy is concerned, both ways, both Canadian and United States, if you are gathering information for Mr. Cooke?

 $\underline{\text{Mr. Hill:}}$ There is certainly no problem. I am not sure that I totally see the link between that and the issue of plant closures.

Mr. Mackenzie: I see the link with restrictions other than straight tariffs.

Mr. Cooke: There are markets and when foreign governments start to put those kinds of restrictions on, which we don't have to any great extent in Canada, it has implications, certainly, for free trade and for demand for our products and eventually downturn in demand.

Mr. Hill: There are equally Canadian practices which are analogous and which, in fact, are highly supported by Canadians.

Mr. Van Horne: Are you agreeing then that this sort of policy is a form of tariff?

Mr. Hill: It is a form of nontariff barrier, but let me draw what I think is an important distinction between the kind of US policy or the kind of Canadian policy. Many of our policies in the government procurement area are similar in kind to those of the Japanese or some of the European countries. The buy-American legislation is an up-front hurdle that needs to be overcome. To the extent of the preference, whether it is seven or 15, they have variances there related to the kind of industry or what have you, but small business, I think, has to pass a higher threshold.

The critical issue here is that the market is not closed. You just simply have to circumvent it. I think this is important.

Mr. Mackenzie: I understand what you are saying. It is something like saying we can get the corporations to change their policies. I have seen damned little move in one hell of a lot of years in some of the branch plant policies.

Mr. Cooke: For example, in the New Jersey law, as it was spelled out on the news, they put out a tender for vans and it just so happened that the tender that came in was a supplier on Pillette Road in my riding, Chrysler Canada. The only place they produce them is in Canada. They could not purchase them because they were Canadian-made.

I don't think we have that kind of policy in Ontario. We have an auto pact and I think we respect the spirit of it. They could not source it. That is more than a hurdle.

Mr. Hill: You can talk of buy American or buy state, but I think it is critical to recognize there are a number of subcategories. I have no problem at all that what you are saying is an outright exclusion. In the normal context, buy state or buy American preferences tend to be thresholds above which one can, in fact, pass. The legislation is there and it is basically what is called transparent.

Dealing with the Japanese, you don't know what the rules are. I am saying these are differences in kind. Equally Ontario has a 10 per cent buy-Canadian preference. This does not mean that other countries cannot sell into the Ontario government market. What it basically means is that there is a cost advantage, in a sense, which is afforded to a Canadian domestic supplier.

Where legislation exists, as you indicate, that is keeping out or is specifically written such that it has to be a US product, then that is the kind of barrier that really has some fairly interesting GATT consequences. We were certainly aware of the issue.

There is a sort of delicacy on this one. Whether in fact, you want to make a major stink about it, which means that all those people in New Jersey and what have you then automatically make sure that the car or the van or what have you is made in the United States, or whether you assume that they will interpret the thing as an American product--

 $\underline{\text{Mr. Mackenzie:}}$ It is like saying please a little louder and a little more forcefully.

Mr. Hill: Yes, but you then get into a very interesting issue of trade strategy and where is your leverage; what is your influence; what can you achieve. It is not only a matter of saying please a little more loudly.

Mr. Mackenzie: I am having great difficulty in going from a very much free trade position I have had most of my life to reservations that grow every God-damned day of the week.

Mr. Chairman: Mr. Cooke, you are finished? Then Mr. Van Horne and Mr. Martel. Mr. Van Horne: I really have no further questions because I supplemented with Mr. Cooke.

Mr. Martel: I want to go back because your answer, forgive me, was somewhat too simplistic: that we had a skilled work force and we had resources, therefore people would gravitate to Ontario. Something rang a bell, and then I realized who you work for, so I know from where you are coming.

Mr. Chairman: With respect, I don't think that is fair to Mr. Hill.

Mr. Martel: I am talking about your minister; I am talking about Grossman. I know where he is coming from then.

There was a statement in the Business Quarterly by Harold Crookell, director of the centre for international business studies, School of Business Administration. He says:

"It will be the first time since tariff protection was introduced that the level of tariffs across a wide spectrum of goods will be less than the difference in the cost of production between Canada and the United States. Hence, by 1988, when the full force of tariff cuts will be in effect, US parents will find it cheaper to service the Canadian market from domestic production than via miniature replica operations in Canada."

4:40 p.m.

That tells me that what I saw and, by the way, I spent four years on the last select committee that Peter Honey was responsible--

Mr. Hill: That was the one on multinational --

Mr. Martel: Multinational, yes. And as a result of that, we had to move in because the publishing industry was just an end run which put on X number of more runs and added another 40,000 copies for the Canadian market.

We did the same in broadcasting and finally the government had to move in to protect or we were never going to have a book industry or we were never going to have an industry that catered to Canadian authors, Canadian musicians and so on. We had to protect.

This says to me that what I saw for four years then was the rationalization of production and I think now, of course, more than ever, on the United States by the Japanese to supply, as the Japanese are doing, from Japan rather than having done what the Americans did which was go all over the world.

The Americans are now getting out of that business of supplying from all over the world and are selling off many of their assets in various foreign countries to get back to the United States where they can build a larger plant and ship in.

That's what worries me about Outboard Marine. A number of years ago you produced 50 per cent of the parts in Canada. You assembled. You met the Canadian need. We now make all of the parts in the United States virtually. What is the incentive to come to Canada? Once you have manufactured all of the parts in the United States, why aren't you going to assemble them in the United States and send them to Canada? What makes it so good?

You can talk about the dollar for a moment but that's a fluctuating thing. If I am an American and I am producing all the parts in the United States now from a plant in Illinois, I might as well assemble it there. I don't see anything that's going to alter that. The dollar is too variable and straight assembly is detrimental to Canada anyway.

Mr. Hill: Whether it is detrimental or not--

Mr. Martel: There is no research and development. You pay royalty fees. You do everything. You pay the bank. It's all there. It goes back to the States.

Mr. Hill: I wouldn't say that too loudly to some of the people working in the Ford plant in Oakville. But whether one is pro-assembly or pro-parts or what have you, I think it is critical to recognize that you are dealing with an enormous internationalization of production and an increasing specialization in terms of sub-componentry, et cetera. It is just simply becoming increasingly untrue to suggest that the parts are made in one facility so why not assemble them in that facility. The point is that some parts are made somewhere else.

Mr. Martel: In the United States.

Mr. Hill: There is a point at which they could be put together but there is no inherent reason why the Ontario or the Canadian location should not be a very viable production point. With some of the tariff concessions that I have indicated, the likelihood of that happening increases.

Now, just picking up on Crookell's--I am not even sure Crookell wrote that one. Wasn't that his student?

Mr. Martel: The two of them.

Mr. Hill: It has got some pretty bad errors in it. Frankly, I don't believe Crookell totally wrote that one. His point was that the branch plant mode at the end of that eight years is going to become increasingly unviable. Having discovered whom I allegedly work for, it seems to me that Mr. Grossman on a very large number of occasions has said as much. There's no dispute between Crookell and--

Mr. Martel: You are putting all your eggs in the basket. In this article they quote IBM. IBM was producing in 1972 the component that it developed. It is not a new thing on the scene that a few companies have been allowed to global product mandate, which I think is the term that they use.

IBM was doing that. They quote IBM. They did that eight or 10 years ago. There aren't very many following suit and I don't see any advantage. The Americans now are being forced to the wall by the Japanese. I think the bottom line for the Japanese is jobs for the Japanese and that's the ground rule they play by. We have never realized that despite the fact that we have the resources but we have never used them to our advantage in my opinion except to give them away.

In fact, in Ontario we are very generous. We 'allow them to write off the cost of production of the refining in Norway against the Ontario tax. That's how generous we are.

Mr. Hill: I really hate to make these points but the trade relations between this part of the world and the Japanese is the clear jurisdiction of the federal government. They are the people who are going to make those decisions. You are undoubtedly aware of my minister's speech on Japan. We are not dealing with an issue in dispute on this point. We are putting a lot of leverage in terms of public and internal leverage on the federal government to rethink its strategy and rethink its approach to the Japanese.

Mr. Martel: I am not trying to disagree with what the minister is attempting to do at this point in the game. I think the problem for me is that by 1988 if the Americans are able to do what is suggested here, having spent four years on another select committee which said a long time ago that we have serious problems in our economic structure, we are going to have to restructure the structure of Canada.

The recommendation was then let's look for the weaknesses in the Canadian production or the areas where we could succeed. One of them to me happens to be mining equipment, coming from a mining area. That this country doesn't produce mining equipment indicates there is something wrong with our noodles. The only major company that was doing it was in North Bay and just sold out last fall to Canadian Industries Limited. They are going to locate a second plant. They are going to locate it in--

Mr. Turner: Burlington.

Mr. Martel: Not northern Ontario but Burlington.

Mr. Turner: It is still Ontario.

Mr. Martel: When it comes to northern Ontario I am a little parochial. We don't have any secondary industry at all. My concern is we have nothing to take its place. If that occurs by 1988, what's the crunch going to be for Canada and Ontario in particular where we have this massive number of small branch plants? It could be devastating unless we can replace it.

Mr. Hill: In terms of massive numbers, our understanding is perhaps 2,000 branch plants out of at least 13,000 firms in the manufacturing sector. I think that perhaps there's a note of imbalance in terms of some of this discussion, that the only element in our economy is apparently the foreign-owned element. It is simply not true. There are lots of very good, very viable and very internationally competitive Canadian owned-firms.

 $\underline{\text{Mr. Martel:}}$ Not very many big ones. Have we got any in the first top 500?

Mr. Hill: I don't have those figures in front of me. I am sure we do have plenty in the top 500. I am not disputing for a moment the foreign ownership issue.

Mr. Martel: That's the crux of our problem.

Mr. Hill: What is?

Mr. Martel: The closing of plants.

 $\underline{\mathsf{Mr.\ Hill}}$: There is a dynamic in the economy and the economy evolves.

4:50 p.m.

Mr. Martel: It has got to do it quickly then because the economy is--what?--at least 58 per cent American-dominated in Ontario. If those 2,000 plants decided to move back within the next eight years, my God, what do we do? That is my concern.

Mr. Chairman: We are getting all kinds of figures thrown out here. Mr. Martel's comment that 58 per cent of the Ontario economy is foreign-owned--

Mr. Hill: No, 58 per cent of the manufacturing sector which, in turn, is 25 to 30 per cent of the economy. There are enormous numbers of excluded sectors. The presence of the multinational in the service sector which has been one of the great job-generating sectors of the economy is remarkably small. All I am saying to you is there is an element of perspective somewhere missing in this in that the economy is a lot more complex than 2,000 branch plants.

Mr. Mackenzie: Services would not have the same effect that manufacturing does in terms of our imports and exports at all.

Mr. Hill: Services are kind of nice.

Mr. Mackenzie: I do not disagree. There are a lot of jobs there.

Mr. Hill: They are not quite as sensitive to international competition.

Mr. Mackenzie: They might be sensitive to cutbacks if we are spending too much on imports and we do not have the dollars to pay for the services.

Mr. Martel: Let me come back to my concern. Let us say that only 100 plants closed out of the 2,000 you mentioned. Unless we have replacement, the problem that we are looking at today which deals with only a number of plants, the count is astronomical to a province this size. That is what we are looking at, plant closures and the reasons for plant closures.

Mr. Hill: Could I just make a point?

Mr. Chairman: Yes. This is terrible. Let me just make a statement first. You have been invited here--and we appreciate your coming to help us on one important area where we had something to learn, the question of tariffs--and you are being hit, and I am as guilty as anyone else, with a variety of questions that are not necessarily germane to what I suspect you hoped to be able to accomplish.

One of Mr. Martel's great concerns--and I respect it, though I do not always agree with it--is that the sole preoccupation of the effort of this committee is to find out, now that the US multinationals are retreating to protect and create more jobs in the US, how we are going to cope. Mr. Hill's opening point was that, while he does not exclude that as a factor in some of the developments in the Ontario economy, he is saying that the tariff reduction is not the primary reason, notwithstanding the case studies we had before us, for these changes.

Mr. Martel: But I am trying to understand where we are going at the same time. I am not trying to hit him or to embarrass him or to put him in any sort of corner. I am trying to get a handle on what the effects of tariffs will be in this vast area of multinational branch plant companies we have.

Mr. Hill: I have two comments. One is that a lot of firms are increasingly using the Ontario base for international production. It is as simple as that.

The second point I would throw out is if this enormous repatriation is taking place, why was it that the investment expenditures by multinationals last year went up by something like 44 per cent? These are the same corporations. What I would suggest is this does not seem to me to be a writing off of Ontario as an investment location.

Mr. Martel: But where was the 44 per cent, Mr. Hill? That was the figure. Was it in resources, was it in manufacturing or was it in the industry you just mentioned, the service industry?

Mr. Mackenzie: Additional ownership or control.

Mr. Hill: It would not have been in the service sector, obviously, in the sense that they are not in that sector, so a lot of it, the greater percentage of it, must have been in manufacturing. I did not come here with those numbers; I am speaking from memory.

Mr. Martel: I am not holding you to any of those numbers precisely.

Mr. Hill: I raise it really as a question. My central point, the one which I feel very positive of, is that I am not sure that the evidence is as dramatic as you would seem to imply, that multinationals are writing off the Ontario location. Again I come back to the fundamentals, a good resource base, access to secure energy supplies, a skilled labour force, management capability, infrastructure, et cetera. These matter.

Mr. Martel: Sure. I am not dismissing them out of hand.

Mr. Hill: The middle of the Brazilian jungle has a lot of things missing. They may have a lot of cheap labour, but it has a lot of things missing.

Mr. Chairman: I don't think Mr. Martel is finished, but after the staccato array of questions you have had, I would like very much to ask you to take as much time as you feel would be worth while to give this committee the benefit of your experience, and to suggest what things, between now and our final report, which is due in five weeks, we might think about and maybe even make reference to in our report under the general heading of tariffs.

We might not even have such a paragraph or section, by the way, but in your judgement--you know our mandate and it is awfully open-ended, plant shutdowns and employee adjustment--what would you leave with members of the committee and our staff to reflect upon, given your area of skill, in our remaining four weeks?

Mr. Hill: My feeling on adjustment, anything that precipitates a rethinking of activity, whether it is tariff related or just simply related to the fact that a new, lower cost, more competitive supplier has moved into the market, and therefore necessitates an adjustment, is to make sure that the true conditions exist for the adjustments to take place comfortably. You want to encourage the necessary movements rather than discourage them.

Mr. Chairman: Is there any industry, in your judgement, that will in the next few years be more vulnerable than some other industries?

 $\underline{\text{Mr. Hill:}}$ I am just trying to think. There are some areas where I think there are some concerns.

Mr. Mackenzie: Would textiles be among them?

 $\underline{\text{Mr. Hill:}}$ Not because of tariff-related problems. I could speak at great length, if you want, on the issue of the multifibre arrangement. It is at your discretion.

The central point with the multifibre arrangement is that it is an aberration to the GATT. It was actually sort of negotiated within the framework of the GATT. It was basically agreed that this industry was so sensitive in terms of the community impact, the jobs involved, the types of jobs and so on, that it was not going to be a candidate. No major players were interested in tariff reductions.

5 p m.

Equally, and more important, the advantage that some of the so-called newly industrializing countries had in these sectors was so enormous that even the very high, the 20 per cent plus, sometimes up in the 30 per cent tariff rates, were just not sufficient. So the industrial world fell back on controlled-buy

quotas. What is coming up under the multifibre arrangement is how those quota arrangements should be modified--should they be global quotas, should they be bilateral quotas with specific countries, et cetera.

Mr. Mackenzie: Once again, without whatever was done in that area, and I don't understand it, my friends in the textile industry tell me they wouldn't be operating today, period, I am talking about the unions now. There is great concern there.

Mr. Chairman: Mr. Hill, there is one thing I am just dying to learn a little more about, and maybe you can answer this one fairly quickly. Under this big heading, global product mandating, what products are now manufactured in Ontario that are sold worldwide?

Mr. Hill: One of the great classics, of course, is the work bench, the Workmate. That is one example. There are really an enormous number--products you don't basically think about. Again some of it could be in the form of components and subassemblies.

When we are talking about worldwide, basically what we are doing is talking about a market large enough to warrant least cost production. Sometimes it is North America, sometimes it is larger than North America.

Mr. Chairman: If you have such a list and it is easily available, I think members could use it.

Mr. Hill: We can generate an illustrative list, if you wish.

Mr. Martel: Just one very brief question. I asked earlier why you thought Canada and Ontario have never got into production of mining equipment. If you don't feel you even want to try that one, I would understand your reluctance. Two subcommittees have recommended government intervention. It is just hard for me to see why we have never been able, seriously, to get into an area where we have the economy of scale that people talk about in order to be really viable.

Mr. Hill: That is to me one of the genuinely interesting questions. Let me illustrate it by saying it is often argued that in a number of sectors, if you want a negative aspect to foreign ownership, the sorting is done with the traditional firms that one knows. The Canadian mining industry, however, is enormously Canadian-controlled and owned. I don't have to point out the very significant names.

Mr. Martel: Not Inco. Don't mention Inco as being Canadian-controlled.

Mr. Hill: I am not even going to talk about it.

Mr. Martel: The Canadian shares are too widely held to be Canadian-controlled.

Mr. Chairman: I don't know what that means.

Mr. Martel: We have 52 per cent of the shares in this country, but a large block is American-controlled.

Mr. Chairman: You built a career around Inco. I should comment on that.

 $\frac{Mr.\ Hill:}{of}$ All I am saying is, as with all sides in this kind $\frac{1}{of}$ an issue, there are demands and problems. The demand was very clearly there. Ownership per se was not sufficiently a problem modifying a demand pattern away from a Canadian source.

As I suggested, everyone should look a little more closely at the supply site. Where were the firms that were producing mining machinery and why didn't they grow?

Mr. Martel: Sweden, Germany and the United States.

Mr. Hill: Is that why they didn't grow, simply because the competition was so ferocious? Or was it because they couldn't capitalize, they couldn't move from being small into big, which was one of the genuinely interesting problems?

Mr. Chairman: Duncan Allan, one of your colleagues, the third or fourth day of our committee hearings, was asked that very question. Let's make it clear at the beginning, every single person in this room thinks that we should have had, and might still yet have, a Canadian mining manufacturing base in northern Ontario. That just makes good sense. His two observations were that it is an immensely cyclical industry, and that is obviously correct, and very capital-intensive. So the startup costs precluded, given the cyclical nature of the business--

Mr. Martel: I wish I had been here. You will recall that we questioned Inco on that, whether they would help to develop that sort of industry. The argument given by the then president was that it was too cyclical. But at precisely that time, the company in North Bay, which was supposed to be on the downturn because the mining industry was in a depressed state in 1978, went out and captured enough that over 50 to 60 per cent of their production was being sourced in other countries. In fact, the economies of scale should be sufficient that we could crack other markets.

Mr. Chairman: I agree with you.

Mr. Martel: At a time when the cyclical mining industry in Ontario was in a downturn, the firm in North Bay was expanding and gaining world markets. The mining industry might be on a downturn for a while but companies don't put their order in today for a piece of equipment tomorrow. They order a long time in advance. So it is not necessary to say both will occur at the same time. That is where I would disagree.

We had Letts, the sales manager for the company, before the 2001 committee, and he indicated that they boomed as a company at the very time the mining industry in northern Ontario was in trouble. So the cycles might not be at the same time. That was the impression I was left with by the president of Inco. Mr. Chairman, you were on that select committee with us.

Mr. Chairman: I remember it.

Mr. Turner: There is part of that argument I don't think you are making very clear. You are talking about mining equipment, and not by definition. What is mining equipment? If you take a look at some of the large manufacturers in Canada, you will see there is a fair bit of mining equipment being made in Canada.

Mr. Marte: With a trade deficit of \$1 billion.

Mr. Turner: Yes, but the people who can produce it are producing some aspects or facets of it.

Mr. Martel; Very little. When we have a \$1 billion dollar deficit and the type of economy we have in mining, it is an area we should be directing all our attention to as a potential.

 $\underline{\text{Mr. Chairman}}\colon \ \mathbf{I} \ \ \text{don't} \ \ \text{quarrel} \ \ \text{with that at all. I} \ \ \text{agree}$ with you.

Mr. Hill: It seems to me that general view has been very widely accepted.

Mr. Chairman: There is something Mr. Hill mentioned on two occasions today. Where companies are located and operating, they have a tendency to stay--we are here because we are here because we are here. That is very true in the heavy mining machinery industry, particularly given the cyclical risks.

Mr. Martel: I am totally in agreement. It is historical. That is why the eastern upper portion of the United States is so developed, because of historical reasons. Companies who wouldn't locate there today are there and therefore they stay. I accept that as a reality of life.

I think the important thing is that directors of big companies who sit in board rooms, have their traditional friends, people they trade and deal with, are more prone to buy from the people they do business with. That is one of the real problems in that industry. If you look at the board of directors of Inco, a number of people from the mining equipment industry are on that board.

Mr. G. Taylor: But they are also experienced in mining equipment. They are not not going to the new, improved Elie Martel Mining Equipment Company because you think it is a good idea.

Mr. Martel: No, but if they could make inroads somewhere, that is the point I am arguing. We have to look in our economy and find out where we can get in and where we can penetrate.

5:10 p.m.

Mr. Chairman: Stop me where I am wrong. That is why this Ontario government showed incredible innovation—this futuristic thing that the people of Ontario are used to now—when they utilized \$100 million tax dollars to leverage additional

investment out of that other resource sector in our province, the forest products industry. That was a very intelligent use of tax dollars.

Mr. Martel: The only question about that is the report which--I have no objection to assistance--which came out of Lakehead University.

Mr. Turner: Oh, yes, but you can't--

Mr. Martel: Just a second. As an opposition we have a role to ask if it was necessary. The only place I would differ with you would be my equity.

Mr. Turner: Obviously it was.

Mr. Martel: That is where I differ. If you have to give the industry assistance of \$100 million, then as any good businessman, I want my share in terms of what I put up.

Mr. Turner: It is there.

Mr. Chairman: It is there, sure, owned by the people and the workers.

Mr. Martel: Nobody has ever put the documentation on the table to refute. If there is a document that refutes that Lakehead study, just show it to me and I would be perfectly happy.

Mr. Chairman: I think the Premier fully disclosed it.

Mr. Martel: No, he didn't. He didn't disclose one figure.

Mr. Chairman: Thank you very much, Mr. Hill. I could ask you a million questions myself, all of them unrelated, because of my own ignorance and desire to learn more about this area. We appreciate your taking the time to meet with us this afternoon, especially on such short notice.

Mr. Hill: It was a pleasure. I will make a commitment to deliver two lists, as I understand it, one on the States' buy-American practices, together with an illustrative list of the kinds of specialized activity taking place out of Ontario.

Mr. Chairman: Thank you very kindly.

The committee adjourned at 5:12 p.m.











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PS-5 & 6 (1981)

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

UNITED ELECTRICAL, RADIO AND MACHINE WORKERS UNION HOUDAILLE INDUSTRIES CASE STUDY

THURSDAY, JANUARY 8, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

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Clerk: White, G.

Researchers: Eichmanis, J. Jennings, R.F.

Union:

Morning sitting: Witnesses: From United Electrical, Radio and Machine Workers

Barry, R., President
Bjarnason, V., Secretary-Treasurer
Howe, P., Business Agent
McNulty, A., President, Local 504 (Hamilton)
Woodbeck, W., Vice-President

Afternoon sitting: Also taking part: Breaugh, M. (Oshawa NDP) McKessock, R. (Grey L)

Breaugh, M. (Oshawa NDP)
McKessock, R. (Grey L)
Witnesses:

McLaughlin, J., Alderman, City of Oshawa Murphy, E., President, United Auto Workers, Local 222 Pilkey, A., Mayor, City of Oshawa Rudyk, W., Former Plant Chairman, Houdaille Industries of Canada Limited

From Oshawa and District Labour Council: Fairservice, W., President O'Connor, T., Vice-President

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

THURSDAY, JANUARY 8, 1981

The committee met at 10:20 a.m. in room 228.

UNITED ELECTRICAL, RADIO AND MACHINE WORKERS UNION

Mr. Chairman: I call the committee to order if members of the committee would take their seats, please. We have a quorum and we are a little late in starting. Mr. Martel has a point he would like to raise.

Mr. Martel: I would like to make a request, Mr. Chairman. As you know, yesterday afternoon, in questioning one of the witnesses, we came to the problem of the production of mining equipment and the fact—and you indicated this to me prior to my coming on this committee—that Mr. Allan indicated one of the deterrents to that was the cyclical nature and it the two things correspond at the same time there is a problem.

My argument yesterday was the fact that the cyclical nature did not work in that way with Jarvis Clark--in fact, they expanded at a time when the mineral industry was in considerable problems in 1977, 1978 and 1979.

I would like to ask if it is possible to have Mr. Allan back to discuss that particular matter, at least.

Mr. Chairman: We can easily do that. Everyone else on the committee, I think, concurs in that. It would be a useful afternoon. We will contact Mr. Allan.

Members of the committee had agreed at our breakfast meeting on Tuesday morning that we would at some time Thursday speak to the agenda. I know that some members of the committee have some suggestions of other witnesses whom we might invite between now and the day of our final report. I would like to recommend that at 12:15 p.m. today we do address that question and recommendations as to additional witnesses whom you think we might invite may be made at that time.

Turning right now to the witnesses before us this morning, representing the United Electrical, Radio and Machine Workers Union. Mr. Dick Barry, would you be kind enough to introduce members of your delegation, just for the record, into the transcript and then, as you know, we are in your hands and you have a submission to make. After you have done the introductions would you just carry on and, time permitting, we will have questions.

Mr. Barry: Fine. Tony McNulty is the president of Local 504, Hamilton, Westinghouse; Bill Woodbeck is vice-president of the union looking after General Electric; Pete Howe is business agent of Local 524, Canadian General Electric, Peterborough; Val Bjarnason is secretary-treasurer; and I am president.

Mr. Chairman: Thank you, Mr. Barry. We each have copies of the brief.

Mr. Barry: If we can proceed with the brief, the delegation appearing before you today is from the United Electrical, Radio and Machine Workers Union (UE), an industrial union which represents about 18,000 workers in the electrical-electronics and machine industry in Canada, with membership largely in Ontario and Quebec.

With something close to 75,000 Ontario workers being thrown on the industrial scrap heap in 1980, the question of plant shutdowns, layoffs and cutbacks in this province has reached alarming and crisis proportions, with unemployment slated to reach even higher levels this years.

Not only have workers in the auto industry been dealt a particularly heavy body blow by shutdowns and layoffs, but hardly any sector of the economy, or any section of the working class, has been exempt from the devastating effects of massive layoffs and the steady deindustrialization of Canada's manufacturing heartland.

Over the last decade, layoffs, closures and plant runaways have taken a grim toll in the electrical-electronics industry with something like 10,000 of our members suffering job loss resulting from the destruction of the home entertainment industry in Canada and the dropping of many well-established product lines due to rationalization in the interests of profit maximization.

In addition, our members have had to face the debilitating effects of a planned drive by the corporations, especially the big US multinationals, to change the face of the electrical-electronics industry in Canada from a labour intensive operation to mainly a final assembly or, in a good many cases, to a warehouse type operation.

This destroys Canadian skills and Canadian jobs as we continue the role of a supplier of raw materials, mainly to the industrial colossus to the south, with the disastrous result for Canada that, after these resources are processed, we buy them back as finished products.

A recent compilation of manufacturing plants and operations lost to UE and its members over the last 10 years shows some 35 plants affected, including the following:

Westinghouse Canada Incorporated, switchgear and control division, a runaway from Hamilton to Alliston, Perth and Mount Forest, Ontario; Airdrie, Alberta; and Vancouver, British Columbia.

Canadian General Electric Company Limited, Royce Avenue, Toronto, operations closed out with home entertainment work now done offshore; Rexdale plant, operations closed out with TV work now done offshore; Ward Street, Toronto, operations closed out, work moved to Georgetown, Ontario; Peterborough plant, wire and cable division to be moved to Pirelli Cables in Guelph, Ontario; Peterborough plant, projected move of work from general purpose

and control department to Amalgamated Electric in Markham, Ontario; Peterborough plant, projected move of nuclear department to Arnprior, Ontario.

ESB Canada Limited, runaway from Scarborough to Woodstock, Ontario.

Square D Company Canada Limited, runaway from Toronto to Waterloo, Port Colborne and Arnprior, Ontario; Edmunston, New Brunswick; and Edmonton, Alberta.

Schick (Canada) Limited, operations closed out in Scarborough, with work now done in the United States.

Tung-Sol International Corporation, manufacturing operations closed out in Brampton with jobs moved back to the United States, reduced to a warehouse facility.

Eaton Yale Limited, operations closed out in St. Catharines, production moved back to the United States.

Noresco Manufacturing Company Limited, operations closed out in Toronto, work now done offshore.

Standard Coil Products (Canada) Limited, operations closed out in Toronto, Canadian product taken to Hexico.

Aerovox Canada Limited, runaway from Hamilton to Nova Scotia.

J. H. Babcock and Sons Limited, closed down in Odessa, Ontario.

Dominion Chain Company Limited, closed down in St. Catharines, Ontario.

The above list of shutdowns and layoffs is a rather imposing one, and while in a number of these situations the jobs were lost due to the depressed state of the economy, the majority of workers lost employment because United States based firms simply shut down their Canadian subsidiaries to protect jobs in the United States, while others fled to low-wage areas offshore or ran away to rural Ontario in order to operate in a low-wage, union-free environment.

The incredibly high number of plant shutdowns and layoffs, which has gripped every corner of the province, clearly shows just how vulnerable our manufacturing industry and our jobs are to layoffs initiated by the US multinationals who operate in Ontario, largely unregulated and uncontrolled. It is estimated that close to 80 per cent of the layoffs that took place in Ontario in 1980 resulted from decisions made in the board rooms of the multinationals in the United States.

This is so because the very nature of our branch plant economy means that when economic conditions reach crists proportions in the United States, the big multinationals will opt for protecting US jobs at the expense of Canadian jobs every time. That is why, in our view, the critical issue of foreign ownership of the commanding heights of our economy by US corporations,

particularly our manufacturing industry, looms so very large in the current layoff crisis that is plaguing increasing numbers of workers and the communities they live in. It may be rather trite, but it is none the less true, because we are not free to make our own economic decisions, that when Uncle Sam sneezes, we in Canada get pneumonia.

In Ontario, latest unemployment figures show a jobless rate of 6.3 per cent, with 246,000 out of work, but when hidden unemployment is taken into account the real figures are most probably double that.

This means that something close to half a million Ontario workers are without jobs due to conditions beyond their control. They want to work instead of having to eke out a miserable existence on unemployment insurance or welfare benefits, or forced to take early retirement on an inadequate pension.

But these inordinately high jobless figures also obscure the real picture of human suffering which has befallen hundreds of thousands of workers in many diverse occupations and industries and has caused tragedy and despair for every member of a family so affected and whole communities.

It can also be seen in the dramatic increase in social problems across the province, such as alcoholism, mental illness, suicides, child abuse and family breakdowns that have accelerated sharply in the wake of such massive layoffs.

In the face of the worst economic conditions in the province since the Depression 1930s, organized labour has recently undertaken a number of fight-back initiatives, including the mass demonstration at Queen's Park and the successful protest petition card campaign in which 110,000 signatures were obtained in an effort to persuade the Davis government that it must strenuously act to stem the tide of layoffs and shutdowns in Ontario, enact measures to stimulate the economy and aid in its recovery and enact legislation that would accord those affected reasonable and just protection.

Yet, representations made by delegation after delegation of labour organizations that have met with Premier Davis and his cabinet colleagues, including submissions made by this trade union and the submission made by the Ontario Federation of Labour last month, have fallen on deaf ears. Instead, government ministers treat those appearing before them with something close to contempt and trot out all manner of excuses and phoney arguments designed to hoodwink an unsuspecting public into believing that working people in Ontario have never had it so good.

Despite Premier Davis's best efforts to play loose and fast with the real unemployment situation in the province when he met last month with the leaders of organized labour, and despite his arrogant and outlandish attempts to paper over his government's abysmal inaction and the government's failure to even begin to come to grips with a critical social and economic problem, there are close to half a million jobless in this province and if that's not a disaster of crisis proportions, then we do not know what is.

10:30 a.m.:

We think it's a fair question to put to members of this committee and to the government: How many more Houdailles and how many more Tung-Sols will there have to be before workers are guaranteed under law the basic right to a job and the right to adequate protections and benefits when they become deprived of meaningful work?

The three and a half day plant occupation at Tung-Sol in Brampton was an attempt by our members, after four weeks on the picket line, to wrest improved severance pay from the United States owned company who admitted the Brampton operation was a viable and profitable one, but was being moved back to the United States under direct orders from the head office of McGraw-Edison.

These courageous workers, with their backs against the wall and facing the imminent closure of that plant, did the only thing any self-respecting worker could do--they fought back and taking a page from the labor movement 's earliest form of struggle, they engaged in a heroic sit-in against great odds and forced this United States owned firm to provide at least a minimum of benefits in the wake of this shutdown. As a result, they obtained severance benefits that were 600 per cent higher than those offered by the company prior to the strike.

But for these efforts, they incurred the wrath of Ontario's Labour minister and others who, instead of being sympathetic to their plight, reprimanded them and warned that future actions of this type would not be tolerated. Shortly after the successful sit-in was ended, despite a legal and binding agreement between Tung-Sol and the union that none of the participants would be charged as a result of the occupation of the plant, an agreement that also bears the signature of a Labour ministry mediator, the Peel regional police charged two of the plant occupiers with two charges of theft and assault. This, despite the fact that at the conclusion of the sit-in both management and union spokesmen inspected the plant and agreed that things were in order.

Both UE members charged are scheduled to appear in Brampton provincial court early in April and despite urgent pleadings with the government that the charges be dropped and the signed agreement honoured, to this point the government has refused to intercede. We can only conclude that the government has decided to teach the workers a lesson, one that will serve as a warning to other workers in similar circumstances who may be contemplating the same action in the future.

We say the action of the police in the aftermath of the Tung-Sol sit-in concurred in by the government is both vengeful and vindictive and is a shameful action that will not be tolerated by organized labour nor all fair-minded citizens in the province and we urge the committee in its final report to suggest that the persecution of these workers be stopped and the charges be withdrawn.

In the face of the loss of about 700 jobs at Westinghouse Canada in Hamilton due to a decision emanating from the company's head office in Pittsburgh to close out its switchgear and control

division and disperse it to three rural Ontario centres, UE members have had to suffer an arrogant and hard-nosed attitude on the part of the Davis government. This included a vicious red-baiting attack unleashed by Industry Minister Larry Grossman, in which he smeared the union and its members at Westinghouse in Hamilton as an "outrageous group of semi-communists."

We said at that time and we repeat here: Mr. Grossman's insulting attack was nothing more than a clumsy attempt to take the heat off the government for its failure to take any substantive or meaningful steps to stem the tide of the mass layoffs and runaways in the province.

We also wish to point out that in addition in his role as an apologist for the big United States multinationals operating here, Mr. Grossman and his cabinet colleagues are still smarting over the fact that UE had the audacity to take Westinghouse before the Ontario Labour Relations Board, charging the company's runaway plans to be a breach of the collective agreement between the parties and a violation of Ontario labour laws.

As you are no doubt aware, Westinghouse was found guilty by the OLRB which ruled in a landmark decision that the company's actions were motivated by an anti-union bias and intent and the board directed Westinghouse to extend certain benefits and rights to the union and to the workers affected. The company then appealed this decision to the courts but lost two appeals with the OLRB decision being allowed to stand. We suspect that this so outraged and angered employers in the province, particularly the big United States multinationals who operate here, largely with impunity, that they were moved to pressure the government to use the red smear to discredit UE and its members.

It's an old ruse. Most members of this committee who have read anything of labour history at all will know that traditionally when the big business establishment wants to discredit the aims and objectives of organized labour and when it wants to take the steam out of social unrest and dissent and when they want to cover up for their own inaction and shortcomings, then they use the red smear and pin the label of communism on those seeking redress for their grievances and on those who take a principal working class approach to the problems of those they represent.

This was the real purpose and intent behind Mr. Grossman's red-baiting outburst, but it won't work because more and more working people and the public, generally, are able to see clearly the real motives behind red-baiting. They are not going to let it deflect them from strenuously fighting back to obtain justice, save their livelihood and protect their families from economic disaster.

As an example, the recent convention of the Ontario Federation of Labour adopted as policy a resolution that recognized red-bailing as the oldest weapon in the arsenal of anti-labour corporations, politicians and the media for dividing and weakening workers' opposition to their policies and programs,

The OFL resolved the OFL would condemn the use of red-baiting and oppose its use by anyone.

In the intensive debate that has gone on in the province on the jobs issue, particularly over the last six months, much has been said and done in both the Legislature and in the news media to put a human face on the unemployment crisis and to depict and enumerate the many grave hardships and difficulties working people are forced to endure through loss of a job. Our laid-off members are experiencing the same desperate hardships and the same deprivation that face all jobless workers in Ontario.

We could spend a long time reciting those conditions here. However, rather than dwell on the symptoms of the present lay-off emergency, we prefer at this time to deal at some length with the root causes that have contributed so greatly to the economic mess that Ontario and Canada as a whole finds itself in.

As mentioned earlier, we view the takeover of the critical sectors of our economy by US financial interests, facilitated and encouraged by successive governments in Canada, to be the biggest single reason for our present economic difficulties. Since 1945, when the government introduced its infamous Abbott plan, which opened the floodgates to US takeover and control, this union has been unceasing in its efforts to create public awareness of the danger to Canada's industrial development and expansion from this disastrous new policy.

For these 35 years, this union has called on successive governments to reverse the trend of foreign ownership by restricting foreign investment in Canada largely to loan capital, and by enacting stringent laws that would regulate and force the multinationals to operate here within the framework of clear Canadian interest guidelines. We have taken this position, unpopular though it was at first, because we were, and remain, absolutely convinced that a branch plant economy which operates at the whim of decision makers in corporate board rooms south of the border is not a healthy economy, and has resulted in the exporting of large profits and hundreds of thousands of jobs to the US. It has also resulted in Canada's having to rely on the technology of others and falling dangerously behind in research and development.

The predominance of US ownership and the distortions it causes to our economy can be seen from even a brief examination of the following: Of the leading 500 corporate enterprises in Canada, no less than 275 are controlled by foreign and primarily American interests. Foreign-controlled assets in Canada are conservatively valued at \$100 billion. In 1979 alone, more than \$1.6 billion in assets of high technology Canadian industries were sold mainly to US buyers, more than double the previous year's total.

It is estimated that foreign ownership has cost the Canadian economy at least 200,000 jobs since 1975, including over 20,000 jobs alone in the electrical industry. In 1978-79, every hour of the day, seven days a week, 52 weeks a year, an average of \$100,000 was exported from Canada from the profits made here by US-based firms. In truth the Americans have taken over our economy with our own money.

It is interesting to note that in 1846, an obscure Halifax scientist, Abraham Gesner, characterized Canadians as "hewers of wood and drawers of water." He was deeply concerned that by exporting our raw resources, Canadian economic activity served merely "to enrich an old commonwealth whose people, by their skill and labour, make such raw materials valuable." Now, more than a century later, Gesner's evocative comments are more relevant than ever because our manufacturing, that sector of the economy that has the greatest potential for providing the largest number of jobs per investment dollar, is once again in a serious state of stagnation and decline.

In 1979, we brought in \$17 billion more in finished goods than we sent out, which is proof positive that the US and other countries gained the benefit of the employment created by the processing of Canadian resources. Isn't it about time that Canada learned to stop selling cheap and buying dear? Isn't it about time that the governments in Canada determined to stem the tide of foreign takeovers and begin to gain control of our economy and to shape the economic future of Canada?

We say to the members of this committee that job creation and economic recovery are an elusive hope and, in fact, an impossibility as long as we continue our misguided role as a resource supplier, and as long as we continue to allow our economy to be dominated by foreigners and relinquish critical economic decision making to others.

10:40 a.m.

Despite the fact that it is abundantly clear that Canadians are today paying the price, in terms of job loss and deteriorating living standards, for the extremely high degree of foreign penetration which has been permitted in Canada, Premier Davis says his government is greatly concerned that the strict regulation of foreign corporations, adequate severance pay and full justification for plant closures will discourage foreign investment in the province.

Canada has the highest degree of foreign investment of any country in the world and this fact goes to the very heart of our present difficulties. Instead of courting larger and larger amounts of foreign equity capital and investment, governments must abandon this wrong-headed policy and instead restrict foreign investment needed in the future to loan capital.

Another thing that greatly works against economic growth and the creation of thousands of new jobs is government policies of economic retrenchment and restraint. These, along with runaway inflation, due mainly to price and profit gouging, sky-high interest rates and the energy price ripoff, have all combined to severely erode the living standards of the average Canadian family, greatly diminish sorely needed consumer purchasing power and force additional tens of thousands of working people to join the ranks of Canada's veritable army of unemployed.

While labour's fight back in Ontario against shutdowns, layoffs and cutbacks has sparked a lively debate both in the

Legislature and in the communities in every corner of the province, the government's response to plant closings has been mainly window dressing and more politically motivated than substantive. We view recent measures introduced by the government as being largely palliative and woefully inadequate to meet the realities of the present situation.

We applaud the members of this committee for voting unanimously to recommend severance pay of not less than one week's pay per year of service to those workers suffering layoff, but we would urge that in your final report you recommend measures, in both the long and short term, that would recognize that an industrial strategy is needed along with stimulative policies to get the economy moving again, and not just measures to alleviate the hardships and suffering associated with job loss, important as they are.

In advancing proposals of economic reform designed to grapple with the crisis of layoffs, shutdowns and cutbacks, we are mindful of the fact that while the Ontario government can do a great deal to aid in economic recovery and recession turnaround, a corresponding or even greater responsibility for economic stimulation and job creation rests with the federal government. However, we want to assure the members of this committe that organized labour will not be fooled by those who prefer to engage in the age-old tactic of political buck passing between Ottawa and Queen's Park.

The proposals which follow suggest certain areas that are well within provincial jurisdiction, while others, admittedly, come under federal responsibility. In respect to federal matters, we would urge the committee to recommend that the Ontario government use very considerable clout to pressure Ottawa to take immediate legislative action on those matters listed below, which fall directly under the authority of the federal government.

To get Ontario working again and speed economic recovery, we propose:

The establishment of full employment as the number one priority of government and an industrial strategy that gives a real thrust to stimulating consumer purchasing power along with the expansion of Canada's secondary labour intensive manufacturing industry.

Reverse the trend of foreign ownership with future investment restricted to loan capital.

Stringent laws controlling the operation of foreign firms in Canada, based on strict Canadian interest guidelines.

Begin the process of Canadianization of foreign holdings, up to and including public ownership.

Sharp tax cuts for middle and low income groups with abolition of the provincial retail sales tax.

Reform of the taxation system along the lines of the

recommendations advanced in the Carter report, which called for the taxing of a buck as a buck, with corporations and individuals being taxed on the basis of ability to pay.

Substantial increases in social benefit payments and programs, with higher provincial grants to medicare, health, education and day care and the abolition of OHIP premiums.

A crash housing and public works program as a joint effort of Ottawa and Queen's Park, to provide affordable housing and other sorely-needed services and to increase demand for a wide range of goods and services.

A review and rollback of excessive price increases, along with selective price controls and an excess profits tax.

A freeze of present energy prices with future increases based on the domestic cost of production rather than spiralling world prices, and bring Canada's energy and resources under public ownership to be controlled in the interests of all Canadians, as well as banning all exports of oil and gas.

Immediately commence the construction of an all-Canadian, east-west energy corridor and power grid to ensure adequate energy supplies for all regions of Canada, and to provide the basis for industrial development and expansion of job creation.

Finally, we propose lower interest rates, based on Canadian conditions, to reflect the needs of the Canadian economy.

To come to grips specifically with plant closings and runaways, and provide at least a minimum of protection for laid-off workers, we suggest the following:

Two years' notice of intent in the event of a plant runaway or shutdown, with federal and provincial labour boards to have wide power to decide on the necessity or propriety of such a closure, and with full opportunity for affected trade unions, community based organizations and municipal councils to make representations to such boards.

Affected employees to be guaranteed adequate severance pay, pension entitlement with full indexing, income protectin between employment and continuation of health care, life insurance and sick benefit plans, or the right to transfer to a new location carrying all rights and benefits, including health, welfare and vacation entitlements, current wage rates, plus relocation costs.

No government grants, loans and tax concessions to be extended to firms who run away to other locations.

Collective bargaining rights of the incumbent union to be transferred to the new location.

Corporations which fail to provide these minimum protections and safeguards to be brought under public ownership.

In conclusion, we would like to suggest to members of this

committee that when a natural disaster strikes, like the one that struck Mississauga, the government was quick to move into action to protect life and property and restore services in that community. In our view, such should also be the case when economic disaster strikes.

The loss of one's job is the most devastating event in a worker's life. Most always it means going on the dole, loss of one's savings and pension rights, loss of one's home, loss of one's self respect. It throws up a whole multitude of social and economic problems that tears the heart out of nearly 500,000 jobless in this province. Even for those still employed, the fear of job loss is an ever present threat.

Governments must be told in the strongest possible terms that enough is enough, and that bold action is needed now to put Canadian workers and Canadian jobs before corporate profits.

We urge the committee to consider carefully the representations and suggestions made in this brief. We earnestly hope that the main thrust of the recommendations offered will find their reflection in the committee's final report. All of which is respectfully submitted by the officers and national executive board on behalf of the members of our union.

Mr. Chairman: Thank you, sir. Members of the committee do have questions.

Mr. Ramsay: Mr. Chairman, I can't help noting the third last paragraph on the last page that "Governments must be told in the strongest possible terms..." That is the strongest brief I have ever had the opportunity to listen to or to read. However, that is not the matter at hand.

I have two or three questions, if I may. You used the term "runaway" on numerous occasions. I am pretty sure I know what you mean by that, but I would like to hear your comments in a little more depth.

Is a runaway operation one where a firm is suspected of leaving a labour-intensive community with high labour rates to get lower labour rates somewhere else? Is that what you mean by a "runaway operation"?

Mr. Barry: That is what I mean by it. That is what we mean by it as a union. Perhaps, to be more explicit, brother McNulty, president of 504, the Westinghouse plant which is currently engaged in running away, as we mentioned in the brief, can perhaps be a little more concrete on it.

10:50 a.m.

Mr. McNulty: Mr. Chairman, members of the committee, briefly my definition of a runaway is not simply a corporation moving to avoid its responsibilities to a trade union under a collective bargaining agreement, it is also a plant moving to evade its responsibilities under state or provincial legislation. One can look at the situation which is occurring today where

modular plants are being constructed throughout the country, in fact, throughout the continent. If you take a look at those modular plants, they can be dismantled very quickly and moved all over the place. Industry is being given massive grants from government, therefore there is very little investment of private capital in these new locations.

If we look at the vesting rights under pensions, if a firm operates for less than 10 years in a location and then moves to another location, then they escape all their responsibilities under the legislation for vesting pensions. That is a major concern of corporations today.

In the case of Westinghouse, you have a very successful operation in the switchgear and control division in Hamilton, on Aberdeen Avenue, which employs some 600 to 700 workers on the hourly-rated pay list alone. That operation is now closing out in what the corporation describes as a "decentralization process" to such places as Mount Forest, Alliston, Perth, Mississauga, Georgetown and so forth.

It is interesting that they say this decentralization is necessary for economic purposes, because here I have a copy of the Tampa Tribune from the United States and the headline is, "Westinghouse Move Could Cost Tampa 900 Jobs." The reason the corporation gives for moving from Tampa is "to consolidate their operation in Pensacola." Pensacola is a nonunion operation, Tampa is a union operation.

So that is happening all over. Westinghouse is moving out of East Pittsburgh. In the last 10 years they have moved some 20,000 jobs out of East Pittsburgh to places like Carolina, Georgia, which are right-to-work states. As you know, that means "nonunion."

That is what I mean by runaways.

If you care to check Westinghouse's financial statements, particularly in their switchgear operations, it has made more money last year and this year than it has ever made in its entire history right in that location, but it is not satisfied with that. It intends to increase that by moving to other locations.

While I am speaking on this, I would emphasize to the committee that this government does have the power to prevent that runaway if it so desires. Much of the product manufactured there is purchased by public utilities, particularly Ontario Hydro. So through its purchasing power, the government can influence that decision. It has not done so up to this time. We have made representations to the government over the past two years and to the federal government. Up to this time, we have not received any assistance in protecting those jobs in Hamilton.

I would like to comment on the question of free trade while we are at it. I am not an expert on free trade but I know when my people are losing their jobs. I refer you to the Ontario Labour Relations Board award in the Westinghous case where evidence was presented that Franz Tyaack, president of Westinghouse, sent a

letter to the head of the switchgear division on June 15, 1978, in which he refers to "a tariff-free environment under the GATT agreement signed by the federal government in Switzerland protecting us after 1983." He points out that "To continue manufacturing in Canada, you would have to have twice your return on investment before taxes as you would if that operation was in Puerto Rico or the Irish republic." He points out there are no taxes in those locations.

I would suggest to you that we should be examining what is a tariff and what is not a tariff. If an operation can exist in another country free of taxes, to my mind that is a reverse tariff, whichever way one describes it. To go around and quote "free trade" and leave your market open is a bit ridiculous in that situation.

It is interesting to note that, going beyond the switch gear operations in Westinghouse, they have a very large electronics division in Burlington, Ontario. The company in the last 12 months has opened an electronics manufacturing facility in the Irish republic and I would suggest that that would bear watching very carefully if we are, indeed, to believe the letter of June 15, 1978, of Mr. Tyaack, the president of Westinghouse.

I could tell you that we have received communications from the Premier of this province, particularly on documents that we presented two years ago to the Premier, as evidence that Westinghouse was trying to run away and escape its union responsibilities.

At that time the Premier took the matter up with the president of Westinghouse and wrote to us. We have that letter. He said that the president of Westinghouse had assured him that this was not an official company document and, indeed, it was prepared without the knowledge of senior corporate officials. So 12 months later the president of that company had to admit under oath in front of the Ontario Labour Relations Board that, indeed, it was his document and this was his entire plan.

We have brought this up with the Premier and have not yet had a response. We met with the Premier in August and with members of the cabinet. We have not had a response to that meeting even though we were promised a response at that time. I hope that will explain something of what I mean by runaways.

In human terms, the first people were given their notice of layoff this Monday in Hamilton, 34 of them to go right now. They are all young people under the age of 25 and this is where the crunch is coming. Regardless of what the company says, there will be 600 less jobs in the city of Hamilton.

Mr. Ramsay: Thank you for that complete reply.

On page four it says, "In Ontario, latest unemployment figures show a jobless rate of 6.3 per cent, with 246,000 out of work, but when hidden unemployment is taken into account, the real figures are most probably double that." What do you mean by hidden unemployment?

Mr. Barry: In our view, hidden unemployment means those people who have either given up looking for a job or those people who would not be eligible for unemployment insurance because, first of all, the government statistics do not take into account plants where there are less than 50 people. They are not reported at all.

But you have all the people who are sloughed off on to welfare. Before a young person can collect welfare, the welfare departments now are contacting the parents to see whether or not they are welcome at home, even though they are unemployed and on their own and in their own apartments, boarding out or whatever.

If they are welcome at home, they no longer receive welfare. They cannot collect unemployment insurance. Therefore, they are not counted as part of the statistics. That is what we are talking about when we say hidden unemployment.

There are great numbers of those people who have either exhausted unemployment benefits or were not eligible for unemployment benefits in the first place or have been sloughed off and are not even eligible for welfare. If you can go home and live off your mother and father, that is where they are being directed. That is what we call hidden unemployment.

Mr. Ramsay: On page nine you refer to the "infamous Abbott plan, which opened the floodgates to US takeover and control." Could you briefly indicate what that plan was? I am not familiar with it. I gather you are referring to Douglas Abbott, the former Finance minister of Canada.

Mr. Bjarnason: This was shortly following the war. There was large-scale unemployment in the country. To get the country back on its feet, the government at that time in Ottawa decided that the best interests of the country dictated that Canada was not wealthy enough on its own to become a fully modern, industrialized nation. Therefore, its interests lay in dovetailing its plans of expansion with those of the United States.

They saw the future role of Canada, since it was so rich in natural resources, as being the suppliers of Canada's resources to the burgeoning industrialization taking place in the States.

Just as in the deals that have been made recently with Ford, Chrysler and so, apparently no hard-and-fast written agreements are made. They end up as gentlemen's agreements and everybody understands what the result is going to be.

The intent apparently was that Canada would somehow, through the spillover of the modernization of the American economy, would somehow through the branch plants which would be established in Canada, because there was still British Empire preference at the time that there would be plants built in Canada by the American corporations using Canadian resources. This would be in the best interests of the future development of Canada as an industrial nation.

11 a.m.

As our brief says, we at that time, perhaps it was wrong because we could not see why we, as one of the richest countries in the world in terms of resources, should deliberately set about becoming junior partners to the most industrialized and the most powerful nation in the world, probably as we were and still are with our people and so on. We thought we should stand on our own two feet and we should develop industry based on our own natural resources. Instead of that, the other took place and now we are reaping the fruits of it.

Our industry is one example of it, as quoted in the brief. Because the electrical-electronic industry is almost totally foreign-owned, as the crisis developed in each phase of that industry it was phased out in Canada. Today we have no home entertainment industry in Canada at all. There are only two plants in Canada making TV tubes. I do not want to go into great detail, but that is what the other plan was about--integration of the Canadian-American economies.

Mr. Ramsay: I just have two other questions, Mr. Chairman. I do not present these to be provocative. I am just trying to rationalize things in my own mind.

The first question has to do with the makeup of many of these unions. For example, is your union affiliated with a parent union in the United States?

Mr. Barry: We have a union in the United States. While technically we are listed as an international union, we have complete autonomy of our union in Canada. The extent of the integration with our union in the States is that we send to their convention each year two fraternal delegates.

They in turn send two fraternal delegates here to our convention. The election of our officers, the policies of the union in Canada, the finances of the union are all controlled by the membership of the union here in Canada. It is only a fraternal tie and nothing more.

Mr. Ramsay: Let me give you the reason for asking that question so that you will not misconstrue my motives. Whereas I certainly acknowledge the responsibility of governments and the responsibilities of industries and corporations, I also feel that the labour movement has responsibilities as well that go beyond simply negotiating the best possible arrangements that they can. Many unions have demonstrated that they are prepared to do much more than that.

Is there not some way that the trade union movement with parent organizations in the United States and with organizations--in other words, cannot the international unions assist in these problems of multinationals rationalizing their performance and their production in Canada? Is there not any pressure that can be put on by an international union in this respect?

 $\underline{\text{Mr. Barry:}}$ First of all, if you look at the population of Canada and the population of the United States, we are about 10 per cent of the population there.

Mr. Ramsay: I realize that.

Mr. Barry: The same thing applies to the makeup of the membership of unions. Quite frankly, an international union, whether it is one that has locals in Canada or in the United States, has to act in the interests of the membership.

The sheer numbers of it dictate that the largest proportion of the membership is going to be in the United States. Therefore, while Canadian pressure could be put on, the predominance of any decisions that are being made by that union are being made for the benefit of where they represent the largest jurisdiction. That happens to be south of the border.

Mr. Ramsay: Didn't we have a break in that though with the Chrysler situation? Didn't the unions in Canada and the States co-operate to a large extent in attempting to resolve the problems of Chrysler?

Mr. Barry: No, to the contrary. In the first instance, while the membership of the United Automobile Workers in the United States decided to take one course of action, the membership in Canada decided to take another.

Mr. Ramsay: I understand that, but I thought they eventually came to--

Mr. Cooke: That was only on one particular--the first step, there was co-operation and major concessions in contract negotiations. Then when the Congress of the United States tried to impose further concessions on Canadian workers, based on the \$1.5 billion loan guarantees in the United States, the workers said, "We may be controlled by a multinational corporation but we are not going to have the American government dictate what our wages were," and rightly opted out of that particular proposal.

Mr. Bjarnason: I think there is one more point. You are suggesting that somehow there is some kind of an equity between the corporation and the union. I do not know of any large multinational corporation big enough to have an influence on the economy which is willing to sit down and give equal recognition to a union.

They may do so verbally and they may make nice speeches about it, but I do not know of any of them which are prepared to scrap their management's rights clause and give their unions an equal opportunity with them to decide on the direction of the business, the type of product they are going to have, the way it is manufactured, the research and development, the investment policies, the marketing, which are what determine the health of that particular industry.

Since the key sections of the economy are almost all monopolized, there is a handful of one or two or three

corporations which determine the prices, the profits, the marketing, everything and governments do not interfere in these things in any way, shape or form. I cannot see any major multinational corporation willingly sitting down and offering unions equal rights with that.

They allow Mr. Fraser to sit on the board of directors at Chrysler and his influence is not going to amount to a smidgen, and he is the first to admit it in terms of saving that corporation. They are asking the workers to do it by forsaking \$1 billion worth of negotiated wages to do it and they are not asking the banks which are loaning the money to bail them out to reduce their interest rates or their take on it by the same proportion. You cannot make it that simplistic.

Mr. Ramsay: 1 am not suggesting anything. I am just searching for answers in my own mind.

Mr. Barry: As an example, we talked in our brief about the question of the Abbott plan, and Mr. Bjarnason answered your question on that. What happened after the development of the Abbott plan was that the northern United States became the industrial states and the unions that organize those plants, because, as Mr. McNulty referred to, there has been a move by the corporations to run to the right-to-work states, the sumbolt area, and what have you. The unions in the States are scrambling to save jobs and to organize the plants south of the border in order to save the jobs of the northern American worker.

As Mr. Bjarnason says, a union does not have an equal right. It is not as if the union can say and have some influence on the thinking of the corporation to protect jobs here in Canada. As Mr. Bjarnason says, the unions just do not have that. You have got Mr. Fraser sitting on the board of directors at Chrysler but he is one man out of how many.

All of the key issues that are confronting a corporation as to where they are going to locate, what product they are going to manufacture, what plant they are going to close out, how they are going to operate their plant, whether they are going to invest their money, is not made with the union.

The union's role is to negotiate and to try to negotiate the best collective agreement under a given jurisdiction within a plant or within an industry, but certainly the unions will not be permitted by the corporations to play an equal partnership role.

Mr. Ramsay: I have one more question.

Mr. Bjarnason: This question is very important. When the big multinationals in particular stop trying to prevent their members from being unionized, we will take another look at it. Westinghouse still fights us every time we try to organize a plant. When I say "us" I mean any union. The president of that corporation was found guilty of moving jobs out of Hamilton to evade the union. How can you sit down and seriously talk about a union having any role to plan along with a corporation in resolving the problems of the economy?

Mr. McNulty: I think it is also important to emphasize that trade unions on both sides of the border, the actions of those trade unions are dictated by a vote of their respective memberships in various countries, whereas when it comes to the multinationals, we often hear the farcical cry that there is a vote at the shareholders' meeting.

Take Westinghouse, for instance. It is 93.4 per cent owned by Westinghouse of Pittsburgh. That leaves the shareholders in Canada with a 6.6 per cent vote. I would suggest you are not going to carry the day very far with that, but when it comes to manipulating across borders these corporations are extremely good.

11:10 a.m.:

If you take a look at the Westinghouse situation over the last three years, they took over the Longines-Wittnauer corporation in the United States for losses. They then transferred that corporation to Westinghouse Canada and wrote off the former losses of that corporation in the United States, wrote them off in Canada and ripped the Canadian taxpayers off for a few million dollars and no one said a damned thing. When we get those rights in the trade union movement we would be able to adjust some of the problems, I would say.

 $\frac{Mr.\ Ramsay:}{l}$ Mr. Chairman, I apologize for the time I have been taking but I think the answers have been very complete and probably have resulted in a little longer time.

The final one I have is, you say on page 12, "We view recent measures introduced by the government as being largely palliative and woefully inadequate to meet the realities of the present situation."

As a relative newcomer, I feel that there has been some real progress made in labour legislation this past year in the Ontario. I look at union checkoffs, I look at the changes in the pensions, the Employment Standards Act, the assurances that the severance pay will be addressed, things of this nature, and it seems to me that a lot of things have happened of a positive nature in this province in 1980.

Mr. Barry: The recent amendments that they have introduced through the Minister of Consumer and Commericial Relations (Mr. Drea) in connection with pensions, as an example, is limited to the plant shutdown. It is limited to a person having existing vesting rights under a pension plan and does not do anything for those workers who are not age 45 and are without that 10 years of service with that company.

It does not do anything for those workers so if you are saying that is a step in the right direction it is a step what? When we say it is woefully weak that is exactly what we mean, because it does not cover the bulk of the employees who are going to be affected. It covers the long-term employee who already has a vested pension. All it says is he will get certain rights as of the day the company closes the plant down. That is all it says. But he has got those under a vested pension plan anyway. The only

difference is he does not have to wait to age 65 to pick it up.

Mr. Turner: That's a significant difference.

Mr. Barry: What he is interested in is a job.

Mr. Turner: Exactly, but what we are talking about at the moment is pensions.

Mr. Mackenzie: It is still about the weakest step that is taken.

Mr. Bjarnason: We do not say that these things are bad. We say that they are just palliative. The key there is, like in the Tung-Sol sit-in, we did not call that a victory because none of those workers kept their jobs and all of them wanted to work.

By the time the members got to the point of striking to try to save their jobs, the membership by then was less than half what it had been, so that everybody on that picket line was there from five to 30 years. When they took the plant over they knew they were not going to save their jobs by then, but that company was so niggardly that they did not even have a decent pension plan. They were giving them a pittance on severance, and all they won out of it was the kind of things that—

Unfortunately, this brief was written before we saw the interim report or the first report of your committee and the criticism we have to make of that report is that it seems to address itself mainly to the symptoms, mainly to what happens to the workers after they have lost their jobs. We did not answer that in the brief because we had written it first, but we think this committee's main responsibility is to address the question of stopping the plant shutdowns, not looking after the workers after they are thrown out of work.

We do not think that the emphasis in the Hansard one hour that several of you participated in over the preliminary report zeros in on that. A few of you did, but most seemed to talk about how to get more severance pay, which is good, but we have lost more and more.

In the next 10 years, if we lose industrialization in this province at the rate it has been going in the last two years--last night's Toronto Star said deindustrialization took place, three per cent loss in manufacturing last year--even if it is at that rate, and I think that is very low, that is 30 per cent in the next 10 years. What will that do to unemployment?

We would hope that you would address the question of jobs as well as the short-term matters of improving labor legislation on which we grant there has been some improvement but we just say that (inaudible) too small.

Mr. Ramsay: There is much that I disagree with in this brief but, on the other hand, I completely concur with what you have just said that while we have a mandate to look at plant shutdowns and employee adjustment, I agree that we should be

looking at more than that. We should be looking at industrial strategy for the province.

Mr. Cureatz: In regard to that very point, looking at the stoppage of plant shutdowns, on page 14, your last point on the page, number one, "Two years' notice of intent." I am curious on your thought process of why two years and I don't think we, in the committee, have had information yet on other jurisdictions and their time requirements. I am wondering if the witness is familiar with other jurisdictions and their time frame requirements.

Mr. Barry: As an example, what happened in the situation at Tung-Sol was that the collective agreement expired in July 1980. While the employment in the plant was dropping, dropping, dropping and there was every reason to believe that that plant was going to be completely shut down, the company continued to deny that they were going to move the operation south of the border.

They continued to deny that they were going to close that plant down right up until the point that the workers were in a legal strike position to take the company on on that collective agreement. Then they announced that that plant was going to be closed down as of October and they shut it down, but they continued to deny it. At the same time, they dismantled that complete operation, piece by piece, through attrition over a longer period of time, but continued to deny that they were closing the plant down and then finally when they were confronted with it with the--

Mr. Cureatz: My point is you are giving us just an example.

 $\underline{\text{Mr. Barry:}}$ That's right. That's exactly why we are asking for two years' notice of intent.

 $\underline{\text{Mr. Cureatz}} \colon \text{So on one example you are asking for two years.}$

Mr. Barry: Not just one example. I am using that as one example to illustrate it.

Mr. Cureatz: What you are saying from your experience with various plant closures, you think two years is an adequate time. Is that what you are saying?

Mr. Martel:: We looked at Essex doing the same thing.

Mr. Cureatz: I am asking the witness.

 $\underline{\text{Mr. McNulty:}}$ Two years is a figure. Put on it what you like. The reason for it--

 $\underline{\text{Mr. Cureatz}} \colon \text{That is what I am trying to get at. Why two years?}$

Mr. McNulty: --the reason for a time element; for . instance, in an economic decision of a corporation to phase out an aspect of production or move it to another location, whatever its

reason for displacing a large number of workers, they should be made to justify that to some regulatory body.

The Ontario Labour Relations Board, for instance, has established in the Westinghouse award that a worker has some right to an attachment to his job. Therefore, capital should have to answer to a government commission and give their reasons for an economic move or something of that nature and you would require two years I would suggest to be able to absorb that.

Mr. Cureatz: Are you familiar with time frames in other jursidictions?

Mr. Barry: No, we're not.

Mr. Cureatz: We have heard in France that a requirement is needed in terms of plant shutdowns.

Mr. Chairman: Mr. Cureatz, it's in that initial submission from the Ministry of Labour or whatever seven or so weeks ago. Actually there was a fairly useful table in there on that very question. I don't have mine with me, I don't know if anyone else does, but there's a pretty good table in there.

Mr. Cureatz: Thank you.

Mr. Chairman: A further supplementary: Mr. George Taylor.

Mr. G. Taylor: I put it following Mr. Ramsay's questions to you--I think he stopped and maybe he was too polite--on the fraternal aspects of union and labour.

As members, we get different positions put to us and one hypothesis would be, if the corporations are, as you have referred to, closing up shop and moving portions of their plants back to the United States or, as in the SKF case, we heard the union knew about the situation in the home country before they knew here, would it not seem logical as some people put to us that the fraternity of unionism would say we are not operating this plant in the United States unless you keep that one open in Canada because they are our brothers and we will sit here in this plant until those jobs stay there?

People put those suggestions to us. How do you meet that proposition when you want the corporations to not follow that rule and to leave them open? How do you answer that when there is this strong fraternity in unionism? I see you are joking but I have to laugh at the same when the logic is put to me. You say there is no logic to it by your laughter, but it's a proposition that's put to us frequently as members.

11:20 a.m.:

Mr. McNulty: (Inaudible) church has been trying to spread that for a couple of thousand years and we are not intending to do it in a couple of weeks.

Mr. Barry: I thought we had explained what's developed

since the Abbott plan and the plight of the unemployed worker in the United States is not much different than the worker here. He has no control over his destiny, it's controlled by the corporation. He's fighting for his survival and his right to a job down there, just as the worker is here.

Mr. Bjarnason: I would suggest that this committee avail itself—and we will offer to lend it to you if you don't have it elsewhere—to see a most excellent film called "Controlling Interests." It deals with the question of plant shutdowns in the United States by the very same corporations we are discussing here.

It is not put out by our union. It is put out by an independent agency, but it comes from the horse's mouth. The presidents and vice-presidents of the major multinationals explain why they are closing down plants and moving the operations to Mexico, to Hong Kong, to Taiwan and so on to make more bucks. They say they are making them in the States but they want to make more the other way.

I wish all the members of this committee--I think some have seen it, but I wish all of you would see that film and then I think you would realize such questions as putting the onus on workers in the United States and Canada to do something about preventing the corporations closing one plant or shutting another down would seem to be rather naive, because that's what it is. I am sorry I have to smile about it.

Mr. Chairman: Thank you, sir. Mr. Turner.

Mr. Turner: First of all, I would like to suggest strongly, Mr. Chairman, that in one of the free days we may have or free time that we may have that we could take a look at this film and see what it's all about. It sounds very interesting.

Having regard for the fact that you people are representatives of a large union which is largely connected with multinational organizations, I would like to get off that theme a bit and first of all reinforce a suggestion that you people made that I think it is a prime responsibility of this committee to look at the provision of jobs, find out why plants are shutting down and if steps can be taken to forestall that type of decision, then we should take steps to do that.

However, let's take a look at the other smaller plants in the economy, and there are lots of them. The vast majority of them are small plants which have union representation in some cases. In some cases, they don't.

I see recommendation number five on page 13: "Begin the process of Canadianization of foreign holdings up to and including public ownership," and this brings out an interesting point to my way of thinking. A few years ago, the great hue and cry was to buy back foreign-owned industry, have an industry of our own and an industrial base of our own. Well, the time has come. There is all kinds of opportunity. There are all kinds of plants. There are all

kinds of manufacturing facilities available and I don't see these economic nationalists coming forward.

Now, having said that, you people, like us--we are all in the same boat--have a common responsibility and it's a common problem which we all share and instead of taking a we/they approach to it, has there ever been any consideration given within the union movement, either on an individual union basis or through a co-ordinating group like the Ontario federation, to take a look at the possibility of providing funding to get into the manufacturing business?

Mr. Bjarnason: Yes, there have been and as you know in Peterborough, Outboard Marine, a section of it was taken over by the employees with the assistance of a loan from the federal government and I think some provincial government money and there have been a number of--

 $\underline{\text{Mr. Turner:}}$ Λ substantial amount of provincial government money.

Mr. Bjarnason: Right. There have been a number of instances like that--I can think of one in Quebec, Prestolite--but almost every one of them has ended up belly up partly because most corporations don't go out of the business unless it is, not a losing proposition, at least not as fully profitable. It does not give as much profit as they would like to see, therefore for employees to take it over, they may know how to operate the equipment and the machinery, but to try to compete with those same corporations which have all of the--

Mr. Turner: With all respect, sir, that was the very point I was trying to avoid in talking about the big corporations. Let's talk in terms of smaller companies, of which there are many who have closed because of economic conditions, not because of a multinational decision. I am wondering--

Mr. Bjarnason: Are you suggesting the unions have enough money to do it themselves?

Mr. Turner: Yes, that's the question I had.

Mr. Bjarnason: You are also in a dream world. The unions only have money that they can extract from employers, they don't get it anywhere else. And if they get it from the employers in the first place through negotiations, how the hell are they going to get enough money to compete with an employer or to run a business better than he could do? You just can't balance unions and corporations with having an equal amount of assets.

Mr. Turner: No, I am not suggesting that. I am suggesting that unions do, like every one of us, have a credit rating of some degree. You do have union dues to pay, which go towards the operating expense of the union, but on the other hand, on a collective basis, is there not the possibility of taking a look at this type of operation?

A plant that comes to mind, if you will, and I don't know

what the background was or the details of it, but a little plant in Cobourg operated by Winchester. It was a beautiful thing; it was virtually new and Winchester, for whatever reason, decided to close it up. It seems to me that there would be, and indeed is, a Canadian market for firearms, as witnessed by the old Cooey plant. I am wondering why a local group of some description didn't take a look at the possibility--and maybe they did, though I am not aware of it--of continuing the operation at that time for the benefit of the community.

Mr. Bjarnason: With all due respect, Mr. Turner, I think this is a red herring.

Mr. Turner: No, it is not--

Mr. Bjarnason: Well, there are a half a million unemployed in Ontario and to talk about one or two plants being taken over by workers is just to get off the subject. I think we should discuss the basic question that is before us and not get into whether some little plant can be taken over by 50 workers or some union can lend some of its members some money to keep some little operation going for a little while before it goes under. That is not the question before this committee, with all due respect, sir.

Mr. Turner: I think you are misunderstanding. I didn't want to convey the impression that the unions, or whoever, do it alone. I guess what I am looking at is, on a co-operative basis, the possibility of salvaging or saving some of the plants.

Mr. Barry: That is only possible, Mr. Turner, if the multinational corporations that we talked about, and you said you wanted to avoid the discussion, did not control such key sectors of the economy of Canada and the decisions that are being made in Canada.

Whether a union had the funds to set up and take over and operate a small plant that was closing down and throwing its workers out on the street, they could not continue to operate if that multinational is also operating in that same product line or in that medium and decided they were going to drive that company out of business. We have seen that time and time again.

Take a look at the supermarkets that operate in Canada. The small corner grocery store has gone out of business. He can't compete because the supermarket controls right from the farm to the processing to the marketing, as do the petroleum companies. The small independent guy can set it up, but he is going to go belly up very quickly because that multinational just determined, "Hey, you are not going to get a chunk of that market." All you are doing is throwing the workers' money down the drain.

Mr. Bjarnason: I suggest it is the government's responsibility we are talking about, not putting the question of it being the responsibility to cure their own ailments.

Mr. Turner: No, I am not suggesting that.

Mr. Mackenzie: I think, Mr. Chairman, it is a supplementary to the discussion we are having, but one thing should be thrown into this question that Mr. Turner has raised and I think in practical terms, which I hope you do recognize, Mr. Turner, my own union, the United Steelworkers of America, have some 700 or 800 locals in Ontario, or plants. Other than the strike fund, which is there for a specific purpose and controlled internationally in that strike fund, their total assets probably couldn't handle any more than one or two of the smallest units that we were looking at in terms of the union investing or buying or taking control of the plant.

11:30 a.m.

Mr. Turner: Yes, I realize that.

Mr. Mackenzie: It is not the role they are there for. It is like a raindrop in the Atlantic Ocean, but the unions, if you ask if they have taken a look at this, yes, they have taken a look at it. It is something which I think most of you people have rejected, and that is in the requests they make and the resolutions they pass in convention continually, to consider equity when government investments or loans are given to firms, to move at a government level because that is the union's money too, the workers' money, the taxes that go into these concessions or grants to corporations.

So yes, they do look at it. That is why that is a specific recommendation at almost every convention that is passed by the union that the government involve itself in developing Canadian industry, involve itself where you have problems with plants that are viable operations and that you use their money, which is union money or workers' money as well as government money because it is their tax money, in taking some equity in trying to see that plant continues to operate. On that point, yes, the unions have been at it for a long time.

Mr. Turner: Yes, I realize that.

 $\frac{Mr.\ Mackenzie:}{as\ a\ union\ entity\ have\ it.}$ they don't as a union entity have it.

Mr. Turner: The first recommendation: The establishment of full employment as the number one priority. I think we would all agree with that in principle and have no arguments. Have you any specific recommendations?

Mr. Barry: Mr. Grossman apparently doesn't have that as the number one priority. His priority is that we have to encourage investment in Canada. It is not a question of jobs in Canada but investment in Canada.

Mr. Turner: But does not one follow the other?

Mr. Mackenzie: Global product mandating.

Mr. Bjarnason: Prime Minister Trudeau and Premier Davis may say that employment is the number one priority, but they

always devise their policies on the problem of inflation and end up by saying it is the number one priority and it isn't because the way they are handling the inflation problem is creating the unemployment and they keep doing it.

They create higher and higher interest rates, higher and higher prices for fuel, gas, oil, et cetera. Is that creating employment? No it is not, it is defeating it and creating unemployment. They can say all they like about employment being our number one priority, but it is not, in fact.

Mr. Turner: I don't disagree with what you are saying but I was asking you if you had any suggestions as to how that can be achieved.

Mr. Bjarnason: That is what the brief is all about.

Mr. Turner: yes, I realize that, but on that specific recommendation, you are saying that the economic policies are adding to the problem.

Mr. Bjarnason: Yes, upside down. They are geared to so-called policies of restraint, of tight money, of monetarism which is to defeat inflation and not unemployment, and it is obviously not doing it because the Economic Council of Canada this week said that inflation is going to reach 12 per cent in the next two months.

Is that helping? That is the government's policy and Mr. Bouey insists that he is doing the right job. He has to peg the Canadian dollar and keep it at a certain level below the United States dollar instead of, as we say, stimulate the economy so as to get people back to work. When people are back at work, they will look after the question of inflation and then you can do it, but you can't do it riding on the backs of unemployed as you have been doing. It doesn't work.

Mr. Chairman: Mr. Van Horne is next, but there is one brief question I would like to ask which is something I have wondered about for a long time and it is alluded to in your submission. It is a strong brief and there is a strong anti-multinational thrust theme to it, particularly a strong anti-US-multinational theme and I can understand that.

When you talk specifically, as other members of the committee have, too, about justification for closure, that anger surfaces. I understand the message and that would be simply that in this sometimes alleged, sometimes real tendency for US parents to protect or create jobs at home, to sacrifice jobs in this jurisdiction, that you would see a body, a group or a tribunal or something have access to the books et cetera of the company in order to see was this a justified economic move and not just a political move. I understand that.

What I legitimately wonder about, when you go through that exercise, and let us say we could come up here with a number, a profit number at which level--pick a number, three per cent a year, six per cent a year, 15 per cent a year--at which level you

think that particular company or industry should be compelled to continue to function, what I wonder is would you have a different number for a Canadian multinational, for a wholly owned Canadian plant.

I am not trying to be a smart ass. What I am getting at is, is the thrust of this really simply anti-corporate, anti-profit masquerading under that handy label multinational, or is it legitimately a concern that we would be prepared collectively, if we were all part of this package that assesses the reasons for closure, would we be prepared to come up with a different set of profit guidelines for a wholly owned Canadian plant than we would for a plant whose parent was located in Pennsylvania?

Mr. Barry: We would expect that the Canadian plants would be operating within the Canadian economy, and the decisions they make would be on behalf of what is going to happen to the geographic area within Canada they are operating in. We say they have to be accountable to the community, to the workers and to the Canadian people.

It is not just a question of us being anti-US. It just happens that the multinationals in the main that are operating in Canada, and particularly within our industry, happen to be US multinationals. We are not any less inclined to tackle a Canadian multinational that is doing'something elsewhere, such as Northern Telecom or Canada Wire, or any of the others. We say that they have to be accountable to the Canadian people.

Of all the money that governments have collected from corporations and from Canadian businesses generally, whether it is as Mr. Turner is talking about or the large ones, through grants and subsidies they have almost completely handed back every single cent that those corporations have paid in tax in forms of grants. In effect it is the Canadian taxpayer who is carrying the financial burden in this country, not the corporations.

Mr. Chairman: You would not then, if I hear you correctly, have a different set of standards for a Pennsylvania firm or a wholly owned Ontario firm?

Mr. Bjarnason: To give you an example, one of our large companies we deal with is Noranda Mines. We have put out briefs, we have made public statements, we have sent in resolutions to the Ontario Federation of Labour and the Canadian Labour Congress condemning Noranda for its investments in Chile, where it is propping up a fascist corporation or government.

We treat Noranda no differently, although it is Canadian, than we do General Electric or some other corporation we deal with. As Mr. Barry quite properly says, because our industry is plagued in this period by these layoffs and plant shutdowns, mainly with American-owned multinationals, that is why the emphasis is there, but we are no less strong in our position with regard to wherever a corporation comes from.

Mr. Chairman: My concern, unless I have missed something pretty basic and I do not think I have, if you followed the bulk

of the recommendations that you have set up, particularly as they affect the nature of investments that foreigners would be able then to make in this jurisdiction, you are going to come up with a whole new set of guidelines. Some of them would be punitive. Let's say some of them would be constructive but there is no question that some of them would be punitive, at least to the extent we set new guidelines.

What I have never ever really been able to grasp is how you legitimately think that a new set of guidelines, which among other things is set out to make that Pennsylvania company look twice before it invests here, how you do not think that impacts equally negatively on the Canadian investor.

11:40 a.m.

The other equally strong message here in your brief is that you want jobs. Let us not get into the rhetoric, but that does mean investment and that does mean some profits, whatever they are. It seems to me we are in a dilemma I am constantly worried about, that you are trying to accomplish one thing, get a message to those US multinationals whose record in some instances has not been good, no question, but when we come up with this new set of guidelines we have made it equally difficult for the Canadian investor—I do not care if it is a rich individual or a corporation here in Ontario that is prepared to expand, or a Canadian bank that is finally prepared to make a reasonable loan, or whether it is Ontario Development Corporation money, I do not give a damn where the money comes from, only that it be all Canadian money—we come up with a new set of guidelines that have made it equally difficult for them then to invest here because we wanted to get that Pennsylvania bastard.

Mr. Bjarnason: There is a very simple answer to your question. Let us take the oil industry. Canada is now the only country in the world outside of the United States which does not totally own its oil and gas resources, the only one. All the rest, including the semi-feudal Saudi Arabian oil industry, is owned by the sheikhs now. Ten years ago it would be unheard of.

The fact that every one of those countries nationalized those industries, did that prevent Sunoco and Exxon and all the rest of them making their billions? Not a bit of it. All they do is they play a different role. Yet in Canada we are terrified with the thought that it is socialist or something to take over the industry which is lying underneath our own damned ground. Why can we not do it?

What is happening instead, because we have not done it, is that 43 drill rigs have moved across the border from Canada to the United States simply because the governments in Canada are toying with the idea of moving towards nationalizing in a very slow process.

By 1990 they say they want 50 per cent, so they are pushing Petro-Canada a little bit. What is happening is that Exxon and these other companies are using that to blackmail Canada by pulling out the drilling rigs. Yesterday's or this morning's paper

says that Shell is reducing its exploration investment by 24 per cent. What is that? That is just blackmail.

So what happens? If we say to foreign investors, "You invest here in terms of loan and not equity capital," are you afraid there will be no more investment in Canada from foreign sources? Are you saying we will not have jobs then because of that?

 $\underline{\mathsf{Mr}}$. Chairman: No, I am not saying that at all and I will use your example of the oil industry.

No more than 10 weeks ago myself and Mr. Mancini, at least on this committee, I do not know whether anyone else was on that trip, we met with the president of Chieftain Development, a wholly owned Canadian oil exploration company, and the president of Numac Oil and Gas, a wholly owned Canadian oil company, and with the greatest of respect they are moving out even faster than the multinationals we have purported to get. That is my whole concern. You go for Exxon but you hurt the Canadian guy in the process.

Mr. Bjarnason: All right, they will move to the United States because the States is the only other place in the world where they can get away with that. We do not want Canada to be in the same kind of a rut as the United States. Do you think things are happening in the United States because all the oil and gas is privately owned? It is not. Who is making the money from that?

Let Petro-Canada hire the God-damned rigs and do the exploration. They will be done and we do not have to have Exxon. The sheikhs of Arabia do not have them any more. In Iran, that we are having all the trouble with now, while the Shah was in control it was owned by the corporations.

Now that there has been a change--it is not a question of agreeing or disagreeing with what is going on in Iran--but the Iranian oil industry now is being run by the Iranians and when that war is over and all of the things sorted out--

Mr. Mancini: Let us just say it is there.

Mr. Bjarnason: The point is you are being sucked in, if I may use the uncouth term, by the oil companies. Even the Canadian oil companies are going along with the multinationals on this question.

Mr. Chairman: The truth is they were leading them in many instances. They were pulling out before many of the multinationals.

 $\underline{\text{Mr. Bjarnason:}}$ They are part of the Abbott plan syndrome. That is the problem. A lot of Canadian corporations went along with the Abbott plan and look where we are today.

Mr. Chairman: Let me give one little example, this oil industry thing. We talk about Iran and again we go back to the multinational Exxon thing, which is a difficult perceptual thing to talk about. Nobody I know reacts favourably to just the simple word, multinational. Make it multinational oil, and you know

bloody well people are all on your side if you are opposed to it.

A lot of people in this room spent 11 or 12 months looking at the question of rent control in Ontario. Among others, we had Cadillac-Fairview before us. That happens to be a Canadian multinational, but none the less, all of the bad characteristics, big developer, were there.

We came up with a set of guidelines. I am telling you in all honesty we had dozens of small Canadian landlords before us, and it would bring tears to your eyes listening to what that legislation, the thrust of which was to get at the big bastard, was really doing to the small, wholly owned Canadian guy. Cadillac-Fairview are down in Houston now. They just don't care. But the little guy is still here.

Mr. Bjarnason: But the littlest guy is the renter. What about him? For every landlord there are six to 150 renters. Who is more important?

Mr. McNulty: It is only fair to assume that the businessman, regardless of size, is going to object to any form of restriction. That is only natural. But he will still operate under it. If you will recall, the Gulf oil corporation got out of Mozambique. It was given great coverage in the international press. It didn't get the same coverage when some 18 months later Gulf went back into Mozambique on a capital deal with that government, with the government of Mozambique owning the installations and the resources. Gulf is operating in Mozambique quite well and has been since.

We are not here today for the question of profit or profit figures. The question that faces this committee, in my opinion, is the question of accountability of the corporations and accountability to Parliament. The question this committee is grappling with is we are at the stage in all the industrial nations of the world, of whether control will be vested in Parliament or whether the reins of power will be in the boardrooms of the multinational corporations. That is the question we face.

Mr. Barry: As an example, Mr. McCaffrey, everyone in the western world looks at Japan as being the shining light in what they have done with their economy and the inroads they have made into the western world. The fact is those same multinationals we are talking about also operate in Japan. The difference is the technology and the ownership of those plants. While they have investment there in Japan, the technology, research and development and all the things we have talked about are in the control of and in the hands of the Japanese people through their government.

It is not in the control of a Westinghouse, a General Electric or any other companies that have investments there. They can pull their plant out of there, but all the technology and everything else remains in the hands of the Japanese people. That isn't what we have here today. They can pull it out.

As an example, Westinghouse can set up their Hamilton plant,

as they have talked about the T and G division having a world mandate on turbines and generators, but that mandate is only there at the whim of the bloody head office in Pittsburgh. The moment they decide it is more lucrative to build it in Pittsburgh, the Canadian company is down the tube.

All they have done is allow themselves to build that one product, and they have got a world mandate. They can sell the product across the world. That is only there because the corporation heads in Pittsburgh determine it is going to be in Hamilton. They can just as easily determine it is going to be in Taiwan.

Mr. Chairman: It is just not possible for us to say that profits are not a part of our discussion. If you pursue the thought about justification for closure, which is clearly made, verbally and in writing in your brief, at some stage of the game people will have to decide collectively--be they government, union, labour, I don't give a damn--what they deem to be a reasonable, fair profit.

Mr. Martel: In the gas industry, a number of years ago that used to be true. People said in the free enterprise situation as we understand it, there had to be a fair return on one's investment. People accept that as a reality of life in our society. Yet, if one looks at the rate of return in the gas industry today, we are not talking about increases in profit of eight or 10 per cent. We are talking last year, I think, of an average increase of something like 54 per cent and the year before as great. I am not saying this pertains to all companies, but in the gas industry the concept of a fair return on investment no longer exists. In fact, they don't even talk about that any more.

11:50 a.m.

Mr. Turner: Are you talking about gasoline?

Mr. Martel: I am talking about gasoline.

Mr. Chairman: When that other Canadian company, Inco, had a bad time, I don't recall that you were very supportive.

Mr. Mackenzie: The only comparison you make there is with world price. It has nothing to do with costs.

Mr. Martel: I worked with Inco in 1954 and I can't recall a year since the time I worked at Inco that they have gone under \$90 million profit, I think it is.

Mr. Chairman: It was relative to their costs.

Mr. Martel: Relative? In Sudbury every eight years they take out in profit their total investment.

Mr. Chairman: But the absolute number doesn't mean anything.

Mr. Martel: What do you mean?

Mr. Chairman: We went through that on the Inco committee in detail.

Mr. Martel: How do you jimmy it around? If you take your total cost of investment out in profit every eight years, what the hell are you talking about?

Mr. Bjarnason: If every company was as well off as Inco, we would have no problems. No companies would have real problems.

 $\frac{\text{Mr. Martel:}}{\text{they had $330 million worth of inventory that they couldn't sell.}}$ They were going bankrupt sitting on it.

Mr. Van Horne: Mr. Chairman, I want to change the direction we are going in right now for a moment, and also to remind us collectively that we agreed we would stop at 12:15 and get into another matter.

I believe Mr. Mackenzie raised a question in the springtime regarding the Canadian General Electric plant in Peterborough, which was never really properly answered in my view. For my own information, I sent a follow-up letter to Mr. Grossman requesting an answer. Unfortunately, I haven't got that answer yet.

However, I am concerned about the employee adjustment aspect of our task as a committee. I understand Mr. Peter Howe is here and I wonder if he could explain to us how the phasing out of the wire and cable operations at the CGE plant in Peterborough have been carried out and, specifically, if he could indicate to us what involvement the union or the community had. Did you have any input into the company's decision, et cetera?

Before you answer that, at the bottom of page 14 and the top of page 15 of your brief you mention some of the things that might be recommended by this committee so far as the employee adjustment aspect of our task is concerned. I hope what Mr. Howe can provide for us might put a little beef on the words of your recommendations here.

Mr. Howe: With regard to being involved in General Electric's decision to phase out the wire and cable operation, we were not. As a matter of fact, I can lay it out four square. We were lied to by the company when we asked what the future held for the wire and cable business.

We were originally told that Canadian General Electric was going out of the rubber insulation business and that it would affect six jobs. Later, after we asked for some answers with regard to some rumours we heard, we were taken in and told by the company that a deal between Pirelli and GE was in the making. Finally, the company made a statement that the deal was on the way through, that there was an application before the Foreign Investment Review Agengy and that there would be 175 layoffs. As history tells us, we went to Ottawa to attempt to get the deal blocked between the parties. The deal has now been approved. The

wire and cable department is basically nonexistent, other than the Formex operation.

We expected a total of 300 layoffs. We made strong representation to the company to replace the 175 which were directly affected because some had seniority of up to 40 years with the company. We made suggestions to the company and we got most of them placed because many junior people existed elsewhere in the plant. They make upward of 150 different products in that Peterborough complex in round figures.

I think now we are down to about 25 that have to be placed as of Friday of last week. The problem was that many junior people came out on the street. Right now we have 150 on layoff directly on the street in the Peterborough complex. So I say we accomplished something on the one hand, but what the hell did we really accomplish? We didn't save the jobs that Dick has referred to, and that was our main aim from the start.

That's basically what the union was involved in. We researched the collective agreement. We made special provisions for people that were laid off in the wire and cable department. It came easier for them, to get away from a bumping situation, to move over to a training situation, and the company agreed to do exactly that. We were a party to that. That actually eased the situation of getting our senior people, especially, situated. I certainly hope I have answered your question.

Mr. Van Horne: Just to define the "we," that was strictly union? There was no assistance from any outside agency, government or otherwise? It was your efforts alone that saw the numbers of people that you have just said relocated?

Mr. Barry: As Pete said, Mr. Van Horne, there are 150 people, after everything was shaken out, who eventually found themselves out on the street. The fact that the people in wire and cable were able to relocate in other sections of the plant was only based on the collective agreement and their respective seniority. The facts are 150 people have been displaced and have lost jobs as a result of Canadian General Electric's decision to close down its wire and cable.

On the course of union involvement, we were called into a meeting on the same afternoon that the guys in the local in Peterborough were called into a meeting and told, "This is the company's announcement." They had already put their application and already made all of the representations to FIRA. It was done, cut and dried, before we were even notified that it was going to happen.

Mr. Turner: It was pretty well a fait accompli.

Mr. Woodbeck: Can I just say this? From 1974 in Peterborough, the wire and cable division operated on the basis of having the workers put input into it because it was a business that they felt was dying. From time to time in the local press from the plant itself, there were all kinds of stories that the wire and cable had turned the business around, and in 1978 they

were starting to show a tremendous improvement, a tremendous show in profit, and that the company was quite pleased with the operation.

Then, all of a sudden, we started to hear rumours on that Peterborough plant that the wire and cable business was going to be sold, and they made a deal. When you take a look at the outcome of that, there are close to 300 jobs being lost in Peterborough. The Pirelli corporation sold their business in Guelph to the GE plant in Peterborough and they moved some of the jobs and machines up there.

If you were to take a look at that particular plant in Guelph, I would say in 10 years time GE will close that plant. It's what we refer to as a "throwaway" plant. It's like a tin shed. It's built out in an industrial area. In 10 years time, it will probably be falling down around their ears. So that plant will no longer be in existence. General Electric has exited the market of that particular business they sold to Pirelli, and they have gone into this business in Guelph, which will close down in 10 years' time.

If we take a look at what's happening with GE, they make these decisions long before they ever let us know. We hear rumours now of jobs going to Markham. GE owns Amalgamated Electric. They operate it that way in Markham, As for the jobs in Peterborough, we are telling the company day in and day out that those jobs are going to move and they keep denying it. We know they are going to move.

We had a problem in Toronto in the Ward Street plant. The Ward Street plant was operating, but it was an old plant and we knew that it could come to an end at any time. So we asked the question, and they had no plans to close it. Then they call us in one day and say: "GE has bought out 33 per cent of Smith and Stone in Georgetown. We are going to be closing down the Ward Street operation and moving the jobs in Ward Street out to Smith and Stone."

This is the type of thing with this company, General Electric. We call it Canadian General Electric, but it's 99.99 per cent owned and controlled by General Electric in the States. They make these decisions and you can almost feel it in the plant when these decisions are being made. We try to find out in advance and nothing can be found out until, finally, they call us in two hours before they are going to notify the public that the plant is going to be closed.

To answer your question, yes, we had support in Peterborough from the city council, from Mr. Turner, right from the top to the bottom in government, people trying to support us and save those jobs at the wire and cable. When the plant opened in 1890, that was the original department. We were trying to save those jobs because in the wire and cable business people who work in that industry have no place else to go. It is not like some other industry where they run machines. It is an industry all on its own, and the people who are trained in that after 40 years couldn't go any place.

We had to make some moves. We had to allow training and we had to do the things to let people have the benefit of remaining in those jobs. It was a big decision for us also. But the company didn't give us any notice; they just chomped it on to us. They are doing it every day. They are going to be moving the nuclear department to Arnprior. We are trying to find out about that now, and the company arrogantly says, "We have not made up our minds."

Mr. Turner: They keep denying it.

Mr. Woodbeck: That's right. The city council in Peterborough bought property for GE to expand the new nuclear plant. Yes, as a union, we are quite concerned about the expansion of nuclear energy because we are concerned about the safety of it. It's a problem. But in any event, we went along with expanding the nuclear plant in Peterborough and building a new operation. What did GE do after they got all the go-aheads from everybody? They decided to cancel it. Their completely arrogant attitude towards the workers, in General Electric, particularly, but also in Westinghouse and other operations, is that the workers don't need to know.

Mr. Turner: The community has that property back on the market.

Mr. Woodbeck: They are stuck with it again, yes.

Mr. Howe: If I may, in regard to the wire and cable, someone made reference to, "Why two years?" That Peterborough plant was quite busy if you go back three years. Two years out of that, we were really busy, hiring from the street. Had we known--not that we would have agreed to the wire and cable business phasing out; let's get that straight--there would have been a hue and cry. But we will say that it happened the way that it happened.

Had we known what the company's intention was, many of their senior people from the wire and cable could have started training elsewhere in that plant because there were jobs in fractional motors, in structural steel which makes the big generating equipment, the switchgear department. There were jobs throughout that plant. But right when the wire and cable hit, John--and I that you can speak to this because you were involved in it--was when that plant was starting to go down, and that really concerned us.

We had members there with 43 years seniority, which was tops, short of a pension by seven years. Where did that person go? I am happy to say that we got him placed elsewhere in the plant because of a flexibility on behalf of the union. If the union had stuck tight with that collective agreement, that guy would have wound up out in the street. It was strictly the union that was flexible on it.

You asked if we had support in the community. Bill Woodbeck reported we most certainly did. Even our MPP couldn't get some of the answers that we were asking. He went all the way down to

Ottawa with us, and we were down here in Queen's Park. If the laws had said that we had to know two years in advance of that operation, many things could have changed and been done quite differently. We just had a matter of months to operate.

Mr. Turner: Really it wasn't a matter of months when they came to Queen's Park.

 $\underline{\mathsf{Mr.\ Howe}}$: It wasn't a matter of months, It was a matter of weeks.

Mr. Turner: There was the suspicion for a good many months but there wasn't any confirmation.

Mr. Van Horne: A way of summarizing this might be that if they had had to justify it, they simply couldn't have done. It's about as simple as that.

Mr. Howe: If they had to justify a \$4 million to \$5 million loss that they claimed that they had, Bill Woodbeck and I said: "Fine, let's go public. Let's see how you base that loss because we don't honestly believe that you had it." They had run on a four-shift operation; they had very skilled operators in that function who had grown up in the department with the machinery; it was continuously operating and they were quite busy. "If you lost it, let's find out where," we said.

They absolutely refused to discuss it with us even behind closed doors, let alone publicly. So I can agree with you when you say, "Get the books." You would like to get a look at the books. The first thing to check out is what set of books you are really looking at because I think they keep three of them--one for the public, one for themselves and one for their shareholders; and then there is a fourth set, the real outlook, that even Nixon never saw. And they are a clean corporation; you are going to be dealing with some dirty ones.

Mr. Van Horne: I think that is the point at which I am going to stop, Mr. Chairman.

Mr. Barry: I think on the question which you raised, Mr. McCaffrey, of setting a profit level to determine the viability of a company and the justification of its operations, it goes beyond that because companies are not above just driving a particular plant into the ground to show that it is not a viable operation.

Mr. Mackenzie: It is called the milch cow ploy.

Mr. Barry: That's right; it is what Tyaack referred to in the labour relations case as the milch cow. You just cannot look at it today and say, "Oh, hell, it has not made a profit this year;" you have to determine why and how they have run the damn thing into the ground, that is also part of it.

Mr. Martel: SKF.

 $\underline{\text{Mr. Bjarnason:}}$ At Westinghouse there was not even a claim of loss, it was one of the most profitable divisions of the

company and they admitted it. They just said, "Well, we can make more by dividing it up and going for decentralization."

Since there are no government regulations, that is what we are calling for. The government should have some say in corporate moves which have such impact on the community. Look at Hamilton where there were 700 jobs involved. It is a big city, but 700 jobs are 700 jobs; in Peterborough 300 is 300. But in many other communities it represents disaster when they close down.

When the new plant which has just started in Alliston shuts down 10 years from now so they will not have to get on with pension vesting, that will have a disastrous effect. There is also one in Perth which has just started going. This is a small community. If they close that one down within 10 years, it will have a big impact.

We are so ringed around as unions by regulations and by restrictions on what we can and cannot do. Why can corporations not have a few, just a few?

Mr. Turner: Just out of curiousity, if I may, Mr. Chairman, the division of Westinghouse to which you referred, did it go to the one community or was it divided between--

Mr. Bjarnason: Five communities.

Mr. Turner: That is what I understood.

Mr. Bjarnason: But regarding the meter division, from which almost the total product goes to Ontario Hydro, what we said to Premier Davis a year ago April was, "Look, you could stop that move just by calling up your buddy Mr. Macaulay over at Hydro and saying to him stop all orders of meters." What would Westinghouse do in that situation? That was their main product. Instead of that, they facilitated the damned move.

Mr. Mackenzie: That's persuasion, and you do not need legislation for that.

Mr. Chairman: With the permission of the committee, I think if we do carry on beyond our 12:15 deadline it is not fair to the next two speakers, Mr. Williams and Mr. Martel.

Mr. Williams: Mr. Barry, the UE headquarters in Canada is located in London, is that correct?

Mr. Barry: Toronto.

Mr. Williams: You are in Toronto?

Mr. Bjarnason: In Don Mills.

Mr. Williams: I thought you had a large facility in London.

Mr. Barry: We represent the workers at the Westinghouse plant in London.

Mr. Williams: But your headquarters are in Don Mills.

Mr. Barry: The headquarters are in Don Mills; we have a local office in London.

Mr. Williams: Is your union compelled to make any annual filings under the Canada Labour Relations Act; and do those filings include financial disclosure as to the union's assets and movement of funds? Where is UE headquarters in the United States?

Mr. Bjarnason: New York City.

Mr. Williams: You indicated earlier that there is no real connection between your Canadian headquarters in Don Mills and the headquarters in New York City other than the fraternal arrangement.

Mr. Bjarnason: The kind of relationship that exists is the kind that is most mutually beneficial. In other words, their research work on the big multinationals, when it involves the same firms as we have in Canada, is passed along to us-the information which is derived, that is-and we keep them informed of what General Electric and Westinghouse and others are doing in Canada. We may get questions like that, but in terms of--

Mr. Williams: So there is some dialogue.

12:10 p.m.

Mr. Bjarnason: The constitution of the international union and the constitution of the Canadian union state that the the Canadian section of the union, because it is in a different country and operating under different laws and different conditions, has total autonomy. At any time the Canadian membership so decides, it can freely disassociate itself from the international union. There is no power and no authority stemming from international headquarters; it is strictly fraternal. No money crosses the border, unless we send them a donation on a strike or they send us one.

 $\underline{\text{Mr. Williams}}\colon$ So there is no obligation under any existing arrangements you have with them to send any union funds to them at all.

Mr. Bjarnason: None.

Mr. Williams: So it is all kept in the country.

Would you be supportive of legislation that would prevent union funds from going into other jurisdictions in association with other international union operations?

Mr. Bjarnason: We would not choose to interfere in the internal affairs of any other union and we would not want them to interfere in ours. That is our position on that.

Mr. Williams: If you were sending money through arrangement with your US headquarters and the Canadian

headquarters, that would be your option and you would not want any restrictions or controls on doing that. Do you have no concerns in a situation where a union might be sending a substantial part of its funds to another jurisdiction?

Mr. Barry: We think that is the decision and the prerogative of the membership of that particular union as to what their arrangements are through their constitution. I think it is up to the members in any given, particular union to decide how they want to internally run their union.

Mr. Williams: But you do take exception to a corporation sending some of its profits to a corporate headquarters in another country.

Mr. Cooke: There is no comparison.

Mr. Bjarnason: We would like the multinational corporations to operate the way we operate, but we are not telling other unions how to do their business. If the Canadian subsidiaries of American multinationals had as much autonomy as we do, then the decisions about plant closures in Canada would not be made in Pittsburgh and New York City and so on; they would be made in Canada, and that is what we think should happen.

Mr. Williams: Several years ago, I think it was the lithographers' union here in Canada mounted quite a strike against one of the local newspapers. As I recall the circumstances, the local union and then the national headquarters here in Canada agreed on a settlement at that particular newspaper, but I believe the headquarters of that union--located, I think, in Denver, Colorado--said, "No, you will not settle that strike. We will not accept the terms that have been agreed to by the local in Toronto or by your overall Canadian executive."

Would you support legislation that would prevent that type of thing happening, whereby there is patent interference by an international union into the domestic affairs of one of the unions?

would mr. Barry: Are you suggesting that that same legislation would apply to the corporations that operate across the border?

 $\underline{\text{Mr. Williams}}\colon$ I am just asking you if you would support that.

Mr. Barry: You are asking me in particular about legislation concerning unions. As Val said, if the corporations are restricted in the same way from interfering with the branch plant or the Canadian subsidiary they have here--as an example, if Ford wanted to sell trucks to China and it could not be vetoed by the Pentagon or the American state department or the parent corporation in the United States, if Ford Canada could sell whatever it wanted wherever it wanted--I would be supportive of that legislation, yes.

Mr. Williams: I am asking whether you agree or disagree with that type of interference, and if you are not in agreement with it whether you would support some type of legislative control

to prevent that type of thing from happening?

Mr. Barry: But you are trying to limit that type of legislation to the operations of an international union.

Mr. Bjarnason: What has this to do with question of jobs and the shutdowns, Mr. Williams?

Mr. Williams: I think it is very significant in that your colleague had suggested the issue before us is really the attitude of government and the attitude of the multinational companies. With respect, I do not think you take it far enough. I think it involves all three. I think it involves the unions which are looking out for the interests of the workers, as they should, as well as the big companies--whether they are big or small or intermediate really does not matter--and also government.

All three are involved and I think the credibility of this whole debate flounders when we continue to focus on only two of the three. I think you agree that the responsibility of the unions, which by and large has been demonstrated, is a very important, integral factor in this whole debate.

I suggest that the unions can sometimes be put in an awkward position too because of outside interference. If you are prepared to acknowledge it, I am prepared to debate with you whether there is interference or not; but not to acknowledge that it has happened in the past and that it can have some adverse effects on what is happening domestically is being unrealistic.

With respect, I think it has some bearing on the debate. I am just trying to get the attitudes of your union towards those types of situations. I am not saying it is an every-day situation, but it does happen and it can impact where a large corporation and a large union are involved. I am trying to get your personal views on these things, whether it does give you some concern or not, or whether you prefer just to ignore and not speak to the issue. Surely you must have legitimate concerns about it yourself.

Mr. McNulty: I would have great concern about any approach on that basis. I have no hesitation in addressing the matter. Any brief examination in history, particularly if you want to go into the coal fields of Britain, or anywhere for that matter, into the United States as well, any legislation that was introduced that was called anti-combinations legislation, which on the surface appeared to be intended to prevent combinations of business, was used to prevent the organization of trade unions. If that is what you are suggesting, I would certainly take you on on that basis.

Mr. Williams: No; I think that--

Mr. McNulty: You cannot mix the two. You cannot confuse the control of a corporation with the control of a union. Basically, a union acts on the vote of its members. If the corporation is going to have a vote of the workers in that industry on every decision of the corporation, then we are into an equal basis and we could discuss legislation. But you cannot

discuss the two together as they are not parallel situations.

Mr. Bjarnason: The other thing is that we are talking about jobs. The unions in this country do not have the right to hire, they do not have the right to fire, they do not have the right to establish plants, they do not have the right to close down plants. Those are the issues before this committee. We are representing the victims of the policies that either exist or do not exist provincially and federally with regard to labour relations and the economy while you are talking about something which, if it has any relevance, is so peripheral that it is really insignificant.

 $\underline{\text{Mr. Williams:}}$ All right. Let me put it a little more strongly. With respect, you are fudging the issues when it comes to asking for the accountability of the unions.

Mr. Martel can understandably laugh at these matters, which indicates it may be sensitive to him and he does not want to talk about it--

Mr. Martel: Well, you signed a report which stated that the companies have the choice of closing down.

 $\mbox{Mr. Williams: }\mbox{--but I}$ think it is incumbent upon this committee to talk about all aspects.

To suggest that it is peripheral, sir, with respect, is not so. I think the fact that you did not answer the question that was put earlier by Mr. Taylor with regard to the fact that it is evident in some cases that the unions themselves-not necessarily your particular union, but unions in general--have been known, their brothers in the United States, to have in effect persuaded those companies they work for to choose the option of keeping the American or the German or whatever other plant going in lieu of the Canadian plant. So one of the influencing factors could well have been your counterpart union in the other jurisdiction.

Mr. Taylor put that to you. Isn't that also one of the complexities of this problem that isn't easy to grapple with, because there is no reason you should be taking issue with your fellow unionists. They are in fact looking after their interests as well; but the fact of the matter is that they are in another jurisdiction and they obviously have also had some influence and some effect on the multinational corporation.

This, again, brings me back to the point that there are three players in this game and not just the two.

Mr. Barry: The unions, whether they are in the United States or elsewhere, only have jurisdiction over that respective membership that they represent wherever they are certified.

Mr. Williams: Yes.

12:20 p.m.

Mr. Barry: As Val said, we are not in a position in our

union, nor are the Steelworkers or the UAW, of going out on the street and corralling an individual and saying, "We want to hire you to work in the Ford plant or for General Motors or Westinghouse or General Electric." The company makes that decision; we have no say on that. All we can do is represent the employees as the company hires them.

Mr. Williams: They ultimately have to make the decision. That is right. It is like government. As the government in power, we have to make the decision. There can be a lot of criticism and a lot of being told about things we do not do or cannot do because we do not have the funds, but we have to make the ultimate decisions when we are the government in power, the same way that the corporation has to make the ultimate decision.

You said in your brief that in fact a lot of the closures that are taking place are occurring because American companies in particular are closing their branch plant operations first and foremost. I recall specifically one of the seven companies that we have had before us stating that they had closed down more of their American operations than they had their Canadian operations. Finally, after the six or seventh US closedown, they had a look at the Canadian operation, and that was after a great deal of pressure from the American counterpart union. There is an example that goes against what you are suggesting as being a universal situation in your brief. I do not think you can just categorically make those statements because it is a complex problem.

I have just one other point, if I could, or a question I would like to raise with you. It is number five in your recommendations which says, "Begin the process of Canadianization of foreign holdings, up to and including public ownership." I think there are ways and means of ensuring stronger domestic control that can be done through the Corporations Act or other forms of legislation. I think that has been recognized and moves have been made in that direction. They may not have been made as quickly and as totally as you would like to see, but I think they have been and can be and will continue to be made.

I guess it is the latter part of the recommendation, about public ownership, which interests me. Earlier talk here suggested that you seemed to have a strong preference towards nationalized industry. I may have misinterpreted that, but that seemed to be an emphasis based on remarks made by yourself and your colleague. I do not know whether those comments are reflecting the general attitude of your membership at large or whether these are personal biases that you feel as members or speaking for your executive only. Could you just clarify that matter for me?

Mr. Bjarnason: The brief represents the position, the policy of the union. We do not speak here as individuals or speak anywhere on policy matters except in connection with matters which have been determined by convention. We have a convention every year where these questions are debated, discussed and determined in resolutions and policy papers. In addition to our union, we are speaking there on behalf of the labour movement because the policy decisions on the economy, as determined by the last two federation of labour conventions here, were virtually unanimous that one of

the main levers of getting the economy into motion again for employment was public ownership, not only of the oil and gas industry, the energy industries, but of all resources, and public control of--without spelling out whether it should be crown corporations or joint private and crown interests--the key levers of the economy, because without that every company is going merrily on its own, making the most profits it can regardless of its impact on the community, the country, employment or anything else.

The labour movement takes the position that we have passed the stage where that kind of luxury by companies can be allowed to continue because it is bringing disaster to the United States, to Canada, to western Europe and to most of the western economies. They are all in a crisis and they are all scrambling to get out of it. In Canada the labour movement takes a position far different from the American labour movement, that one of the ways to do that is an industrial strategy which encompasses public ownership and control in a growing way, without spelling it out in all the details, because we have to start somewhere.

Mr. Williams: Just one last question, if I might, just to complete this so I understand that particular point. Are you saying to me then that in your judgement the majority of the rank and file workers, not only in your union but in the organized labour movement as a whole in Canada, who either were brought up and raised and stayed in this country to work here, or came to this country to work here, did so that they could work towards a socialized democracy with a socialist state? Is that what you say your rank and file is really looking for, because it is different from the understanding I have of the situation.

Mr. Bjarnason: Are you prepared to say that all of the policies enunciated by Prime Minister Trudeau have the full endorsation of all the members of the Liberal Party?

Mr. Williams: Yes. I think he is a pretty strong influence.

Mr. Bjarnason: You do? Speak to the ones in the west. Speak to the ones in the east and speak to the ones in Quebec.

Mr. Williams: You just said you were speaking on behalf of the labour movement through resolutions--

Mr. Bjarnason: I was just telling you I happened to sit on the resolutions committee of the Ontario Federation of Labour for the last three years and I am very familiar with all the resolutions adopted and all the policy papers because I was part of a section of them.

Mr. Williams: I am sure you are. I can only make that observation from your remarks. I am just asking you to confirm whether or not that is what you are implying or stating to this committee. Is that what you are saying, that the majority of the rank and file in this country really want a nationalized industry and a socialized state?

Mr. Bjarnason: I didn't use the term. They didn't use the term. You are twisting words.

Mr. Williams: You have.

Mr. Bjarnason: No, I didn't. I never used the term socialist state.

Mr. Williams: Public ownership.

Mr. Bjarnason: That isn't a socialist state. Is Britain a socialist state?

Mr. Williams: Yes, it is.

Mr. Bjarnason: I see. Tell Margaret Thatcher.

Mr. Williams: Margaret Thatcher is trying hard. I don't know whether she will undo it, but she is making a gallant effort, believe me.

Mr. Cooke: Almost as gallant as Davis.

Mr. Martel: Mr. Chairman, I don't want to be lengthy, but a number of people here have made some reference to the strength of the brief. It may be a little strong in certain areas. Particularly, I refer to my friend Mr. Williams' last comment. I am going to quote that to him and ask if that has the endorsation of the Conservative Party. Let me just read six sentences, one from each paragraph of a report. It says:

"A policy shift in our province should involve not a discouragement of resource development, but an encouragement of manufacturing and processing in Canada." He is talking about the resource sector.

Second, "one important goal of both provincial and federal resource policies should be the achievement of a strong and visible Canadian control presence in the nonrenewable natural resource sector. Fifth, "Canadian resource policies, particularly in respect to nonrenewable natural resources, should promote portfolio rather than direct investment in Canadian ventures." I want to make sure I am quoting this right.

Then, "a long-run goal of nonrenewable natural resource policy should be to ensure that at least 75 per cent of the equity of all new ventures in the nonrenewable natural resource sector after the implementation of the committee's recommendations be owned by Canadians."

You will like this one, Mr. Williams, "The committee recommends that government should be empowered to take up to 50 per cent of the equity in new ventures in the nonrenewable natural resources sector." Have you got that? I want to tell you who signed this document in a moment.

Finally, "the government should actively encourage the development of Canadian-controlled firms in the mining, machinery

and equipment industry through the provision of loans and research assistance and through purchasing policies." I hope this document has the endorsation of the Conservative Party. It was signed by Russell Rowe. You know him.

Mr. Cooke: A raving radical.

Mr. Martel: Douglas Kennedy, Nicholas Leluk, Donald Deacon-some of the Liberals know him-our late friend Richard Smith, Glen Hodgson-do you know him?--Gordon W. Walker, MPP, now cabinet minister, Mr. Deans and Mr. Martel. Now you tell me, Mr. Williams, that was the committee that spent four years studying economic nationalism.

Mr. Williams: Which committee was this?

Mr. Martel: The select committee on economic and cultural nationalism established by one William Grenville Davis.

Mr. Turner: And that was a good committee.

Mr. Martel: Yes, except the God-damned government hasn't moved on one recommendation.

Mr. Mackenzie: All of them supported it and haven't approved a God-damned one of them since it came out five years ago.

Mr. Martel: And if we had done that five years ago we wouldn't be in the crap we are in today.

12:30 p.m.

Mr. Williams: What you say they are endorsing is not government policy and they are not endorsing it as government policy.

Mr. Mackenzie: Don't play games with parliament.

Mr. Martel: It speaks to the issues as a select committee that studied these things for four years. The conclusions that they came to would resolve the problems. They talked about loan capital as opposed to portfolio capital, which was the equity from foreign sources. They talked about a control of at least 50 per cent in the mining sector of our province. It spoke to the things that select committee realized were going to lead us out of the bloody problems we are into today, and the government did not do a thing.

The interesting part, Mr. Chairman--and I am going to finalize after this--is that Liberals and Tories run around this country pretending that they do not believe in the control of the resource sector. And yet, when they were members on it they signed the document. They study it; they shy away from it.

Mr. Mancini: We believe in--

Mr. Martel: Are you saying that you are prepared, Mr. Mancini, to sign a document calling for the control of the natural

resources by the state in Ontario.

Mr. Mancini: I'd sign that document.

Mr. Martel: I guarantee you will have an opportunity to sign it in the next five weeks.

Interjections.

Mr. Chairman: Members of the committee, we can do this on our own time over lunch or tonight. While we have the witnesses before us, if we have any questions for the witnesses in the few minutes remaining, I think it is only courteous that we put them to them. If it is just banter among ourselves, as I said, we can do that at lunch or this evening. You have a point of order, Mr. Taylor.

Mr. G. Taylor: I don't want to banter among ourselves, but it has been referred to as a strong brief. I would very much like to say that it is not only a strong brief--maybe in its positions which I do not agree with--but it is a very strong personal attack against individual ministers of this government and that I do not agree with and that offends me very greatly. It takes a great deal away from any content that is in this brief.

If they keep coming before this committee with the same personal individual attacks--

Mr. Mackenzie: Are you telling us, Mr. Taylor, that they cannot attack us and cannot disagree with you?

Mr. G. Taylor: No. They are very personal inaccurate attacks on the individuals. If they want to bring that material forth-

Mr. Mackenzie: They are accused generally and in the public of being bloody and outrageous Communists. That is more personal than anything in that God-damned brief and you should recognize that.

Mr. G. Taylor: I'll never recognize the content of this brief. It's totally inaccurate. It's credibility is greatly disastrous.

Mr. Martel: Did Grossman say that UE was semi-communist? Did he say they were semi-communist? You're God-damned right he did and you know it. That was outrageous.

Mr. Barry: As it happens, those statements are not inaccurate because Mr. Grossman admitted making them.

Mr. Martel: Why don't you go and kick him in the head?

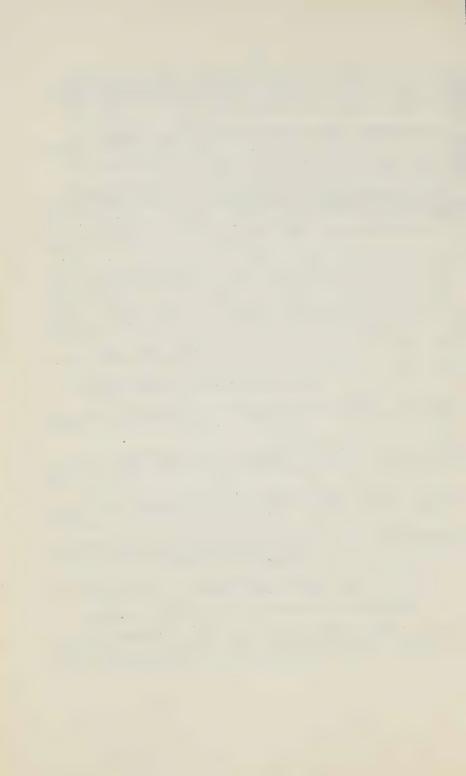
Mr. Chairman: I think I am correct that we have no more questions of the witnesses. That being the case, if I may, on behalf of the committee, I thank you, gentlemen, for taking the time to come before us.

We will be meeting until and including February 5 or 6, at which time our final report will be complete and we will make certain that you get a copy of it. We will be meeting three days--Tuesday, Wednesday and Thursday--on each of the next four weeks, I think, in this room.

Mr. Mackenzie: Mr. Chairman, just before we adjourn, J don't know if a motion is needed. I don't think so if it is accepted generally. But I think that in one of the two or three remaining spots we have the McDonnell Douglas sellout should be before this committee. It is an urgent public matter.

Mr. Chairman: At 1:45 then, please. It was agreed at our breakfast that we would finalize the timetable. Mr. White has some changes to announce to us.

The committee recessed at 12:34 p.m.



LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

THURSDAY, JANUARY 8, 1981

The committee resumed at 2:06 p.m. in room 228.

HOUDAILLE INDUSTRIES CASE STUDY

Mr. Chairman: I call the meeting to the order. I want to speak to our timetable for the next three weeks. Our guests are here but I would ask their indulgence if they would give us 10 minutes and allow us to speak to the timetable. This is probably, Mike, the first time you have ever heard of a committee that did not have a full house right at the bell; it is the first time since I have been here myself.

You have copies of the updated timetable. We have gaps in the morning of January 14, one on the twentieth and one on the twenty-eighth. Bob Mackenzie was going to make a motion, if he thought a motion would be required, to get a particular witness. Do you want to speak to that, Elie, in his absence?

Mr. Martel: Yes. We think the situation at McDonnell Douglas and the massive layoffs that are occurring there are sufficiently important that we should ask that they come before us, both the union and the management, because if one reads the front page of the Globe and Mail or watched the news last night, one can see that the situation is pretty critical and one would like to know why, having guaranteed the loans and so on.

It would appear the parent company in the United States is going to get the contract as opposed to the subsidiary here in Canada when we are putting up the bucks. I guess we would like to have them come before the committee to try to get a handle on what the hell is happening.

Mr. Cureatz: The federal Liberals.

 $\underline{\text{Mr. Martel}}$: There is not much difference really, Sam, I must say.

Mr. Van Horne: Mr. Chairman, I do not want to leave the impression or start off with the impression that the problem referred to by Mr. Martel is not a critical one for that industry and the people involved in it. However, when you look at the time and the mandate of this committee I think somewhere along the way you have to ask yourself, "When do we stop the case study approach and when do we attempt to complete the report which we have a time line set for," unless there is something further that we can find out from these people.

It may be the loan guarantee which Elie referred to is of itself enough of a new factor, I don't know. I would have to be convinced, however, because we simply do not have the luxury of a whole lot of additional time. We do have a couple of blank spots in this January schedule, revised, but I would submit to you that

this committee is going to have to leave at least one of those free so that it might do at least some preliminary work on the final report.

I guess I would conclude by saying that unless there is something that is very different or very new with that situation we would not have the time to do it justice. I am open to being convinced that there are enough new factors there that would make it worth our while, but we cannot lose sight of the time line that we are faced with and with the task of having a report finished.

Mr. Cureatz: While along similar lines Mr. Van Horne has expressed but straying on a different tack, it was, I think, the committee's intention to take a look to having the umbrella witnesses appear before the committee to try to have a different aspect on the case study approach we endeavoured to do prior to Christmas and New Year's. Looking at the revised schedule it appears that we are still endeavouring on some case studies; this afternoon is a perfect example. I would like to see greater emphasis on the umbrella investigation as opposed to case studies.

2:10 p.m.

I don't know whether there is going to be new information from the proposal in terms of helping us in finalizing the report. I am willing to compromise to the extent of possibly suggesting the afternoon of the January 28 for both of them unless something of a more important nature arises that is important to be slotted in; in terms of having them waiting in the wings, if it is convenient for us to have them as witnesses. But if staff feel that other umbrella organizations want to appear before us so that we can conceptualize on a greater area in terms of the effect of plant closedowns, I would prefer not to bring them forth.

Mr. Chairman: Those are good points. Can I make a suggestion here, Elie? We will come back to it, but let me make my suggestion first. Let us stand this down for just a minute at least because we have got one and perhaps two other questions that you wanted to raise. There was your point of order at the outset this morning about Mr. Allan, we could speak to that; there was current consensus in the committee that we do that, then the investment-economist type person.

May I make a suggestion that we request Duncan Allan to come on the morning of January 14? Do you want to speak to the second part now, the investment-economist?

Mr. Martel: As you know, the other day I expressed my concern that in all of our investigations so far we have talked to either the company or to the union involved and a number of government people. I think what at the same time is necessary is to try to bring in some people who are not related to the particular industries and who might bring a different perspective as they view it from some distance; as opposed to those who are directly involved.

I think some sort of economist--names have been thrown about, you mentioned one, I mentioned the name of Rotstein, people

in the academic community—who could give a more detached look at the matter from purely a study position of what the hell is happening to try to give us some overview as they perceive it as people who are studying the problem constantly. I think not to do that obliges us to accept this position or that position without anyone who is detached from the situation giving us the benefit of the experiences they have in what they are doing. I think that is essential. But let me talk to the other matter.

Mr. Chairman: I don't think there is any quarrel with the concept; we just need a name or two to agree on now. I don't think it is going to require a motion.

Mr. Cureatz: Speaking to that, I am in agreement and I think that is a worthwhile suggestion. I would like to have not one, but preferably two, in terms of difference of opinion. We don't want to have both spouting forth the same kinds of ideas. I am sure in that field there are differences of opinion on what is not taking place that should be taking place.

I would ask staff to investigate those people who would be appropriate. Offhand I don't know anyone who would be most suitable, but surely within the time period of two to three weeks we would be able to-- You are pointing at the fifteenth, Professor J. Britton; that is one. Do we have another one? Is that not what Elie is pointing to?

Mr. Chairman: I just had a suggestion, if I could respond to that, and I think John has a comment to make too. We have agreed on Duncan Allan, Industry and Tourism, on the morning of the fourteenth. On the morning of the fifteenth we have Professor Britton with the science council. If we tried to get, along with Allan, also on the morning of the fourteenth, one or two of the people who would fit your category-you mentioned Rotstein, and maybe this Doug Peters--that would make a good package. We could try Allan and two economists that same morning, couldn't we?

Mr. Eichmanis: The only problem with Peters is that they have some annual meeting going on at that time. I tried for the fourteenth and he couldn't make it. He can only make it on the twenty-eighth.

Mr. Chairman: Let's agree to this: The morning of the fourteenth we will ask John, who knows--we have talked about this privately as well as in the committee--the kind of people that we want. Peters was one of several suggestions to fit with Duncan Allan; you know the theme you want to pursue there. Let's leave it with John to come up with one or two there. That would look after that.

The morning of January 20 and the twenty-eighth would stay open. Mr. Cureatz's suggestion that we leave the afternoon of the twenty-eighth open is a good one. One reason, and Graham White mentioned this, is in the likelihood, even if it is remote, that we do finally get this royal commission report on pensions, that is one thing for which we can easily and effectively utilize that afternoon. There is no question that as the McDonnell Douglas

situation and others develop between now and the twesnty-eighth it would be prudent to keep a gap. So, if you wish to speak to the McDonnel Douglas matter again, could we talk about it in the context of the morning of the twentieth, if at all, subject to the committee's view?

Mr. Mackenzie: I think the thing should be raised. I don't know what you mean by--

 $\underline{\text{Mr. Chairman}}$: We talked about it and there was a feeling that if we respond to every-- We are going to have to make some decisions as to--

Mr. Mackenzie: My concern is that it is obvious, from both the publicity and the feelings that are running very high up there, that it is a matter of some urgency and some public concern. This is a major contract, major hirings were done, and now the workers are not benefiting from it. I think we would make a mistake if we did not ask them before the committee.

Mr. Martel: Like the rest of you I want to get the job done, but not at such haste. If we have to sit on a Friday, that's fine. The important thing is to review the matter carefully. We bandied things around yesterday and talked, and I don't see any hard and fast attitudes developing on what the hell is happening out there. You start talking about such things as multinationals cutting back here to rationalize production in the States. I don't think there is any consensus on that yet; I really don't.

Mr. Van Horne: Elie, the job of this committee is not to take each problem as it comes along. The McDonnell Douglas one came along yesterday. We are not going to resolve the problems of that particular plant or industry tomorrow or next week.

Mr. Mackenzie: That is a very appropriate example of exactly what we are dealing with.

Mr. Van Horne: In your absence I suggested that if there was any additional information that we have not already covered, then I am open to accepting your argument, but if it is going to be the same as we have heard with other plants and businesses, then I don't see that there is anything gained.

Mr. Martel: If I remember this thing, there was a great debate in the House of Commons, there were concessions made, agreements garnered, we thought, in order to create more employment in Canada as a result of that \$4 billion investment. The ink is not even dry on the agreement and we see a massive layoff in the industry that was going to be the beneficiary of some of that particular development.

The question for me remains: what in hell did we do, what in hell did we find for? What are we giving away, the store? Were there guarantees that were going to lead to more employment in Canada for the type of investment the taxpayers are being asked to make? What decisions were made that led to that contract probably going to the United States?

Mr. Van Horne: Elie, all that you say is most appropriate.

Mr. Martel: But we don't know the answers to it though; that is the problem.

Mr. Van Horne: I do not want to see a prolonged argument here. What I would suggest is that I am quite prepared to accept the decision of the chair. I do not think we should get into a committee vote on this. If you vote against it, you are voting against the industry. That is how it could be interpreted. That is not the job of this committee. I would be quite prepared to leave this matter up to the chair.

Mr. Cooke: I was talking to some of the union people yesterday about this problem and did a cable TV show last night. There are some unique aspects to the layoffs and to the problem that McDonnell Douglas is experiencing.

2:20 p.m.

There is also a parallel situation in Japan which apparently also purchased over 100 of these particular F-18 aircraft. Their contract was quite different to the one the federal government signed here. About 100 out of the 108 planes are being produced in Japan. The technology that is developed and the dies that are available to build the plane are kept in Japan, whereas in our contract, after five years, the dies go back to McDonnell Douglas in the States.

There are some very interesting aspects to this contract of how one country gets the benefits and keeps the benefits as part of its industrial strategy, whereas our country seems to take a different approach. I think it is very much worth exploring--not that we can resolve this particular problem, but we can look at it in terms of an industrial strategy and how our government screwed up on this \$4.4 billion contract.

Mr. Cureatz: The only concern I have with that is how far do we look into the whole federal process in terms of what deals were or were not made and whether that could be adequately done in a morning or an afternoon. Again, looking at our timetable, that leaves the morning of the twentieth.

I think I will go along with Mr. Van Horne and leave it to the chair. Our timetable was strongly stressed before Christmas. We have the four weeks slated and in the fifth we are drafting a report. Again, I am willing to compromise if it can be worked in within this time frame, subject to no other beneficial umbrella group coming forward or being asked to come forward as witnesses.

Mr. Chairman: If the committee will agree to leave this with the chair and the staff, we will make a decision and report back first thing Tuesday morning, the thirteenth. Is that fair enough?

Mr. Martel: I question why the staff is going to make the decision. Surely it is the committee that makes the decision

as to whom it wants to appear before it.

Mr. Chairman: We can have a vote now or we can have a vote Tuesday morning. If it is going to come to a vote, it would make more sense to have it on Tuesday morning. There will be more people here. The points have been made. I do not think there is anything else one can contribute to it.

Mr. Mackenzie: With one exception, Mr. Chairman. What you are saying is that the chairman and the staff should decide. Why not decide now that we instruct the chairman and the staff to see if arrangements can be made to bring them before this committee?

Mr. Cureatz: Yes, but as I pointed out, the mandate was to take a look at the various umbrella organizations. We were looking at the various case studies before Christmas. I am sure you do not want to detriment the possibility of any other umbrella groups calling in to appear as witnesses. Let us wait a few days to see if we have any further umbrella groups. If we do, they may have to be slotted.

Mr. Chairman: Whether we add an evening sitting or a Friday, that is a thing that is going to be decided, like everything, by the committee, but we do not have a quorum for it right now.

Mr. Mackenzie: Mr. Chairman, I would move that the staff be authorized to check into the possibility of bringing the McDonnell Douglas parties before the committee.

Motion agreed to.

Mr. Chairman: We have taken a little longer than we had expected. Mr. Breaugh, would you be good enough to come forward and take a few minutes to speak to the topic before us? You have been part of the committee from time to time, so you know what we are doing. We have been expecting you since before Christmas to come in and speak to this matter. If you have any opening comments, carry on, and I hope you will introduce the people who will be speaking to the matter.

Mr. Breaugh: Thank you, Mr. Chairman. What I hope to do this afternoon is something which is a little different from what I have seen the committee do before, where you looked at one plant from a management point of view or union point of view or both and examined what happened in that plant and why there was a layoff or shutdown.

I would like to put in front of you this afternoon a little larger picture of what happens to a community. It is my own and I do not pretend for a moment that it is exclusively that of my riding. For example, in the big General Motors plant which is located in my riding, there are people employed there from virtually all over central Ontario. There are buses going in and out of there from Belleville on the east to the west end of Metro and north all through Haliburton. It employs a large area and people do move back and forth.

I wanted to see if we could get for you, not in a formal and academic way but in a very human and personal way, what happens when there are shutdowns and layoffs in a community. I would like to see if we can poke a little bit at the impact of that on the municipality itself.

I have asked the mayor and one of his aldermen, who is here with him, to speak to you briefly about that part of it. I have asked the president of the largest UAW local in the country and one of the largest in North America to be here and the fellow who was the plant chairman of the Houdaille local. I have asked the president of the local labour council to come and present a little different view. He has one of his vice-presidents with him. I have asked a couple of representatives from the Steelworkers who are in a number of our smaller plants. A number of those have taken shutdowns and layoffs too.

I tried to get two perspectives: one from the workers' point of view what happens, the very real difficulties when one is in a leadership position in the union local and has this kind of slowly aggravating, building and worsening problem; and the second from the municipality's point of view.

To be fair, I should probably have invited somebody from KKR Enterprises, the people who used to run Houdaille, except that they are not around Oshawa any more. And to be fair, I should have invited the people who used to own Ontario Malleable Iron in Oshawa, IT and T, except that they are not around any more either; or from Robson-Lang Leathers, except they are not around town any more either; or from a place called Fittings Limited because it is in a different shape and form there.

I suppose we could have invited people from Chrysler, except this afternoon the management of Chrysler is very busy in Washington looking for money and the membership is all at a big meeting in Ajax, deciding whether they will accept or reject the terms and conditions that management has put to them about a wage freeze.

I would think it would be not a bad move on the part of this committee to have some talk with the three large auto production companies in Ontario, and you might want to include the fourth one, American Motors.

As you know, General Motors in Oshawa is in the middle of, and perhaps a bit ahead of, the other auto producers in terms of converting and making substantive changes. There have not been massive long-term layoffs in Oshawa at GM. There have been some short-term layoffs and there are some problems, and we will go into some of those if we can. But it would take quite a while for the committee to go through all the machinations of a multinational corporation like General Motors in its decision-making process.

By and large, we are not complaining about GM in Oshawa. There are problems there that are solvable. There are certainly some very real human problems, but compared to the plight of workers in the municipality of Windsor, with one large corporation

like Chrysler, the Oshawa situation is much different.

That is basically what I hope to do. I have asked each of the people to come here this afternoon, not with a formal brief, but to make some opening remarks, to introduce themselves, to make some points which they want to do, and to stick around and answer questions for the members of the committee. Whether we will succeed at that or not is a good question, but we will give it a shot.

The first person I would like to introduce to you is His Worship Alan Pilkey. You may have heard of his father, who works for the Ontario Federation of Labour.

Mr. Chairman: Is he a quiet fellow?

Mr. Breaugh: A little, short, quiet fellow.

Mr. Chairman: Very reserved.

Mr. Breaugh: This is the new mayor of Oshawa, Alan Pilkey. With him is John McLaughlin, who is an alderman in the city of Oshawa. Maybe we could adopt, as a routine to get through this--and I appreciate your schedule--that you have them come up, do their little bit and have the next group up. Then, when everybody has had their chance to say their piece, they will stick around so that the committee can ask some questions. If that is an agreeable way to proceed, we can begin with the mayor.

Mr. Chairman: Absolutely.

Mr. Cureatz: While they are coming up, I think it is in order in terms of time frame that we have the opportunity of asking questions of the various groups at the end. If we spend an hour on each group, then that will limit the questions. Just 15 minutes, is that what you are anticipating for each group.

Mr. Breaugh: I am thinking five or 10 minutes for each group.

Mr. Cureatz: Okay.

Mr. Breaugh: This is Alan Pilkey, the mayor of Oshawa, and John McLaughlin, an alderman.

Mr. Chairman: Welcome to the committee. We appreciate your taking the time to come. We are in your hands. I guess it would make more sense if we try to have the comments made from each of the spokespeople and then entertain questions. It does not always work, but we will try that.

 $\underline{\text{Mr. Cureatz: Well, that's what I was thinking. We should ask questions while the group is here.}$

Mr. Chairman: It's kind of informal; it's like a group therapy session in a way.

Mr. Breaugh: You're trying to give group therapy a bad

Mayor Pilkey: First, I would like to thank the members of the committee for the opportunity to appear. This provides an occasion to share with you the findings of an admittedly rather cursory review of the effects of shutdowns on our municipality and to some smaller extent on our regional municipality of Durham.

2:30 p.m.

If a city is to serve its citizens, it needs a dynamic and diversified economic base, a base which will provide the population with a growing standard of living and which will support the public services on a scale commensurate with the needs and desires of both an active and intelligent population.

Oshawa has suffered an erosion in its base due to closures and, therefore, faces the unfortunate potential of perhaps not being able to continue its present levels of services to its citizens.

Additionally, it is also generally accepted that whenever a basic manufacturing job is created, there are beneficial employment and income multipliers. The basic job creates service industry jobs and other incomes throughout the community. It is, therefore, logical to assume that we suffer from the reverse, or a negative multiplier, thereby touching and affecting the livelihood of even a larger number of people and the economic viability of other businesses in the community and of our own municipal operations.

An Oshawa Times story of October 31, 1980, lists nine recent closures affecting 1,400 individuals. This number, when multiplied by a conservative \$15,000 per year income, equals a lost payroll to the city's economy of somewhere in the area of \$21 million. The multiplier effect could presumably at least double this figure with obvious effects on the local businesses in enterprises throughout the community, quite apart from the very obvious and dramatic effects on the individuals who have lost their jobs.

Other examples of this; the Oshawa Public Utilities Commission, for example: Their billings to Houdaille Industries, should the plant remain closed, will be down by \$900,000 in the year 1981. The loss of sewer and water revenues due to the same plant closure is another \$250,000.

For Firestone in Whitby: I do not pretend to speak for the town of Whitby, but when the mayor of that municipality spoke with me yesterday and heard I would be appearing, he urged me to speak on his behalf, particularly in terms of Firestone. He indicated there is a loss of sewer and water revenue because of that plant of another \$100,000.

There is \$350,000 in those two alone.

These losses of revenue were and still are a very serious concern to the regional municipality of Durham. These shortfalls

have been reflected in the increased sewer and water bills of all other citizens of the region of Durham, not, again, just the employees affected by the plant closures.

Further, the selection of seven recent plant closures that I had our tax department have a look at have resulted in business assessment reductions of \$2,438,000 of assessment. The impact of such a reduction in 1980 dollar terms is a loss of \$262,000 in business tax revenue annually.

You might also wish to note that each time a commercial or industrial venture ceases to operate, the respective tax levies are adjusted to the lower residential rate, not the commercial and industrial rate. In our particular example, this conversion resulted in an additional loss of \$65,000 due to the change of the class of assessment. The accumulated tax loss for these same industries is \$490,000 to our municipality thus far.

The cost of increased general welfare assistance may also prove to be a very real and heavy financial burden. A family of four now receives about \$550 per month, or \$6,600 per year. If we have from 200 to 500 such families—I think that is a reasonable range for the number of families who may find themselves forced on to such social benefits—the cost to the regional municipality of Durham, including Oshawa, and to the province of Ontario, which provides 80 per cent of those costs, ranges from between \$1.3 million to \$3.3 million.

Members of the committee, the hardship and emotional strain on the individual who loses his job and his family, the erosion of the municipality's tax base and, therefore, its ability to maintain services and standards in the public interest and the reduced profitability to the business and professional community are all rather totally undesirable situations for the city of Oshawa and its neighboring municipalities.

I feel that an investment of provincial government dollars directed towards a new industrial strategy in the provision of funds for industrial research and development aimed at protecting existing industry is warranted, it is justifiable and it is nothing short of necessary.

I would appreciate it if the committee would take full recognition of the multiplied dollars this means to the municipal economy and to the province which funds many of our programs. These multiplied factors, both in income and other service jobs, go well beyond the initial payroll payments that are lost to those who appeared to have been the only ones directly affected.

I sincerely hope these comments and this information has been both informative and helpful, I hope it will encourage you to recommend and pursue enlightened legislation, having been made aware of some additional problems from perhaps a slightly different perspective, but none the less quite real, as they affect the city of Oshawa and the surrounding area. Thank you very much and I would be more than willing to discuss any of these items or answer questions you may have.

Mr. Chairman: Thank you very much. Sir, do you have any comments at this time?

Alderman McLaughlin: I do not really have anything to add, Mr. Chairman or members, except to say I am sure you are well aware all this has a snowballing effect. We need only look at the Oshawa PUC billings of \$911,000 to Houdaille alone to realize the snowball effect of that. It then transcends our local municipal boundaries and becomes a provincial matter.

Mr. Chairman: Thank you.

Members, there is a bit of a list, Mr. Cureatz, Mr. Martel and Mr. Mackenzie. I am in your hands, do you wish to speak now?

Mr. Cureatz: I would like to put some questions while the witness is before us. Thank you, Mr. Chairman.

I think this is a very innovative and good time for the committee to have some municipal representatives in front of us because to date we have not yet as a committee investigated some different possibilities that could be provided in terms of our report.

The first thing that comes to mind is the role of the municipality in conjunction possibly with the provincial or federal government. At the municipal level, as you have indicated, your worship, is where the hurt takes place, either to the individual or the community as a whole. From time to time this committee has bandied about the possibility of looking at various other jurisdictions and considering whether some kind of commission or triumvirate be established to monitor plant closures in a particular area.

Your worship, do you have any thoughts in regard to the municipalities playing a role with that commission, since you are the ones who are directly affected? Instead of the province of appointing three, four or five people, would you like to see a municipality, a city like the one you are representing or a region, submitting one or two commissioners on such a committee?

2:40 p.m.

Mayor Pilkey: Yes. We would appreciate being involved with any opportunity we might have for input.

As you know, we operate under the Municipal Act and the Regional Municipality of Durham Act, which establishes that the industrial development officers or commission are no longer with the local municipalities but rather at the upper tier regional municipality. While obviously all the local municipalities would like to be involved, that might become cumbersome in terms of numbers. So it would be helpful if at least the regional municipality were involved through its regional chairman, for example, or chairman of its management committee who looks after industrial affairs. It could then provide input on behalf of those other municipalities. I think that would be valuable.

I think, to be quite blunt about it, the local municipalities throughout Ontario find themselves in a total position of helplessness. The best you get is a letter or a telegram from a local industry which has handed it to you about two hours or 24 hours after it has handed it to the local union that is affected. What is there to do at that point, all the decisions having been made, except to try to scurry off to the senior levels of government and immediately ask for help or to console the general citizenry who have been affected and so on.

Yet let us not forget that the local council is the grassroots level of government relative to those that have been affected. It is often us they come to first and it is us to whom they have to pay the taxes. The businesses that are affected also come to us. It is we who have to adjust the taxes, sewer and water bills and hydro rates for all the rest of the community, and yet we are not involved by any one particularly.

 $\underline{\mathsf{Mr}}$. Cureatz: The long and short of it is you would like to see some kind of participation.

Mayor Pilkey: I am sorry for taking so long, Mr. Cureatz. The simple answer is yes, but I have just tried to give examples of the effects. We are the first line of government, if you will, and they come to us. It would be nice for a change to have some authority, at least a little, to be able to accommodate some of the problems.

Mr. Cureatz: I suppose it would be worth while for the various municipalities across the province to have their selective input. I am only thinking out loud. I am thinking in terms of maybe an open slot so that depending on what is taking place in a particular jurisdiction, the region of Durham could be represented at one time, Windsor another time, so that the grassroots--as you termed it--could be monitored.

Mayor Pilkey: I agree. By the same token some member might suggest we cannot from a practical point of view have 1,000 representatives from local municipalities across Ontario on such a board. Even a representative from each regional municipality might be difficult.

However there are other organizations, such as the Association of Municipalities of Ontario, that are parent bodies for local organizations through whom we funnel proposed recommendations to the government. They may be involved if you wish to keep the numbers down, but they would be there to give a municipal perspective.

Mr. Cureatz: The witnesses this morning, the United Electrical Workers, stressed that we should not be thinking in terms of pension benefits and severance, but keeping the jobs and keeping those plants open. I am wondering if you have been able to evaluate in your mind what the municipal role could be in terms of keeping plants open.

Can you envision any kind of intervention, a mayor's committee or the region of Durham chairman's committee, to monitor

what might be taking place in terms of closure in order to nip it in the bud? Could there be something so that suddenly there is not that 24-hour letter saying, "Sorry, fellows, we are closing down." Could there be an amendment to the Municipal Act possibly, so that at the grassroots level you can have that first whack at attempting to keep that industry open, if you follow my line of questioning?

Mayor Pilkey: I do. I think most regional municipalities have an industrial development commission that is supposed to be monitoring the local industries in their area. I suspect there is a reluctance even at that level for companies to confide in those individuals that all is not well. While we would like that opportunity, I suspect that it is probably--1 am not even sure, Mr. Cureatz, they would like to tell provincial governments they are in trouble.

I suppose, really, the best answer to that question is to try to have as good a strategy, to try to have a situation where facilities are updated, equipment is as modern as can be and that those companies are kept as healthy as they can, even if they are selected-again, you cannot do them all-on a major company basis where there might be senior people who would monitor those operations and who would have access to certain information.

like what you are saying, but I am not sure they are going to talk to anybody other than to very few people, people who are sort of at the top.

Mr. Cureatz: You were on council along with Mr. McLaughlin last year when we had a very interesting situation in Mike's riding, when the plant was taken over by the workers. I think that was probably the first kind of takeover in the province that started in this line of plant closures, this new tactic in stressing pension benefits and the like.

Can you reflect on the thoughts that you had as a regional councillor, at that time, on the repercussions that could take place from that kind of situation, from a plant takeover? Did you think, in terms of a municipality, that there was reason for some fear because regional police might be called in and that there might be some kind of severe confrontation? What kinds of thought processes went through your mind? What kind of reflection on the local level does such a plant takeover create in terms of stress in the community?

What I am driving at is that in terms of greater anxiety for a community, we have to face the facts. If plant closures are going to become a fact of life on a regular basis, there has to be some kind of response on a legislative basis recognizing that. On the other hand the law is there, private property is supposed to be respected. Where do we draw that line?

Mayor Pilkey: I don't think any citizens of Ontario are found taking over plants or marching up and down streets, all that kind of thing unless, quite frankly, they are pushed to it and they have really no other alternative. When it comes to that point I think that while the moment is rather dramatic, you can

obviously conclude there is some basic fault in the structure of things that led up to that kind of reaction.

I understand that is the very reason for this kind of committee: to help repair or upgrade or modernize the structure and stream of things or laws relative to plant closures in this province. I hope, through your actions, those kinds of very dramatic and media-worthy events will not become necessary and that it will not become necessary, either, for those people who are affected to have go through those kinds of emotional strains because I suspect a great many of them would rather have done any number of other kinds of things.

I am sure many of those gentlemen did not quite have it in their mind that one day they would be in a bed roll in a plant in a takeover. Those kinds of thoughts never crossed my mind and I am sure they have never crossed yours. But what are people to do faced with that kind of circumstance? The result was that there was a more equitable agreement reached for those people and that this hearing is taking place. Obviously, anything like that is a concern to our municipality. We don't like it; we like to avoid it if it is at all possible.

Mr. Cureatz: Mr. McLaughlin, do you have any comments as a representative on how you felt monitoring the plant takeover at Houdaille in terms of the anxiety in the community, possible confrontation of police and the workers and the private property problem there, that suddenly private property is being taken over?

Alderman McLaughlin: I am glad it was concluded the way it was. At the time I felt genuine sympathy for those involved. Many of them I know had been there 20 years or more and were seemingly getting very, very little out of it.

2:50 p.m.

I hope the deliberations of this committee and your ultimate report and resultant legislation might answer that aspect of it, that is, what somebody gets when they are laid off. As a councillor at the time I was disturbed because the matter of this takeover was getting big headlines. At the regional level we are spending a good deal of money each year trying to attract industry, and I saw those types of headlines as a detriment to that function. Those were my reactions at the time.

Mr. Breaugh: I wonder if I could take a shot at it because it is an interesting piece of business. In the first instance the occupation of the plant at Houdaille was hardly new. When the United Automobile Workers first organized in Oshawa in 1937, the organizational technique was the occupation of the plant facility.

What is remarkable about the occupation of Houdaille--and Al and I were both in and around the scene a fair amount during the occupation--was the tranquillity of it all. The place has never been so quiet. If people in the neighbourhood noticed anything it was how clean the air was and how quiet it was in the neighbourhood because the stacks were not running. If they noticed

anything it was that there was no vibration in the sidewalk any more. If they noticed anything about the plant it was that it was cleaner during the course of the occupation than I had ever seen it in the time that I had been there. They cut the grass, trimmed the hedges, did maintenance work and served better meals. There was nothing remarkable that people living around the plant would see.

It would have been conceivable, I suppose—it had been tried before with a group called Mitch's Hussars at one time—to call in the Ontario Provincial Police and squads of the army and all of that and roust these 200 senior citizens from the plant and that would have been very dramatic. I think it is remarkable and a tribute to the local chief of police and the local authorities that they took a look at the situation and did not do that. They said, "There is no need for police officers on that scene."

In my experience there in the 14 days, I think I saw just one police officer, and he was investigating a stolen vehicle across the road. He came over to the picket line and explained why he was there. There was no need for police, and there were none present.

A lot of good common sense was exercised in that situation. I can certainly think of other situations where, at least in my view, common sense was not exercised; somebody did something that was totally uncalled for, and a good deal of confrontation erupted. It was the most peaceful and tranquil time that I had ever seen at Houdaille.

In part that is a tribute to the municipality, to the police force there, but in part it has to be attributed as well to the union itself, who went to its membership and said: "This is what we are going to do. We are not going to engage in acts of vandalism. We are not going to bust up our plant. We are going to sit in here until we get some justice." They made their plea relatively simple, but very eloquent, and they stuck to it.

If there is anything people across the province could learn from the Houdaille occupation it is simply this: if you exercise a little common sense, you do not necessarily spend \$1 million in police coverage that is not necessary, and people do not get their heads busted; that there is a way to negotiate your way out of this kind of situation. There was good common sense shown by a lot of people there.

Mr. Cureatz: The other and the final question, Mr. Chairman, is the one I think we are all going to have to grapple with eventually in terms of whatever the committee suggests and whatever the Legislature recommends in the way of legislation. How far is that going to go? Is it going to be far enough in terms of the next occupation? I wonder if we are always going to be now faced with the kind of scenario of occupation in terms of the union feeling that justice is not being served in pensions and severance pay or the like.

I do not think that question is easily answered, but it is certainly an answer that I am trying to find in terms of devising

legislation that will meet the needs so that these kinds of situations will not result and, where possibly common sense does not rule, we then run into some severe confrontations, which I definitely would not want to see. I think that is just half preamble--

Mr. Martel: You did not give us a total figure of the loss to your community so far. Do you have a total figure?

Mayor Pilkey: It is hard, Mr. Martel, to give an overall figure because some of the effects have not yet been felt; for example, all unemployment insurance benefits have not yet run out. You will remember I alluded to the question of general welfare assistance. We are convinced that there are going to be a number of people, regrettably, who are going to find themselves seeking those benefits.

I tried not to come in here with some kind of dramatic, explosive, all-encompassing figure, although I suppose that might have dramatized it. I don't think it needs to be dramatized because if you start looking at it, I used to range from \$1.3 million to \$3.3 million; cut it in half and call it \$2 million. Call it \$900,000 on hydro and you are at \$3 million. Call it \$21 million in payroll--maybe you can add them up as I go--call it \$350,000 on sewerage and waters.

The loss of service industry jobs, because every chamber of commerce document you want to pick up--actually this is where I got the figures--refers to the multiplier effects of what one basic manufacturing job will produce in additional service jobs, and the multiplicator effect on incomes by the same reasoning. You have to be talking of a staggering amount of many millions of dollars.

Mr. Martel: I am leading to that deliberately, Mr. Pilkey, because that is what we are afraid to get a handle on; that is what we never look at--whether it is a one industry town in Atikokan, which is virtually wiped out, whether it is my own community of 4,000, which loses one industry and 225 jobs--and many of the homes are still for sale--or whether we come out of the Inco experience with 2,400 jobs lost in one shot.

I tried at that time to get the community--I do not think it is up to the community, by the way--but until we are prepared, as a society, to tabulate the cost to society of these plant shutdowns, I do not think governments are ever going to get serious about grappling with the problem.

I think we have to know in dollar terms what it costs to shut an operation down. I suspect that the costs to society are so dramatically high, and would be so startling, if we looked at it in all the municipalities where these plants were closed down, that governments would have no alternative than to say: "We are going to intervene. We cannot afford that type of loss, that type of relocation cost, the marriage breakdowns that occur and the costs that the municipality picks up there." I am convinced that we are afraid to find out the amount of money.

Mayor Pilkey: I mentioned that mine was a cursory review simply because we were not aware until recently that the hearings were under way. Still, we wanted to come and appear. We put some rather obvious figures together that were easily available to us. I suppose we would almost need a consultant or to do an impact study if we were to reach the answer to your question in totality.

Even reading from the Financial Post on metropolitan Oshawa, and they are a little out of date, we had personal disposable income of \$1,256.6 million et cetera. You are quite right: there is a lot of room for losses, and that is in one municipality.

This was part of the message I was trying to convey earlier. I think some of our own citizenry is guilty of it in Oshawa. They said, "The Houdaille plant is closing down, and the view is, 'Isn't that unfortunate for those fellows who are not working any more?'" Is it not a little unfortunate for you who still are, who are now going to pay the increased hydro bills, the increased sewer and water bills? Is it not unfortunate for the small businessman who retails in the community, who is not going to get the volume of sales that he expected? It might well drive some of them out of business. I know we have a record amount of bankruptcies at the moment in the area, but I suspect that is due in part to other monetary decisions made at another level of government as well.

3 p.m.

There are all of these broad aspects of it. All I was simply trying to say was that if there are some moneys required to be spent by the senior levels to assist industry in becoming better equipped or remaining viable, they have to look on the total loss of dollars to a city or to an economy.

Mr. Martel: That is precisely what I am driving at, but a municipality is not in a position to do the type of in-depth study on its own because it cannot get a handle on all of the costs. It does not have the money to do it, nor could it follow those workers over an extended period of time to find out what in the hell is happening to them.

Mayor Pilkey: I cannot find out what happened to each individual small businessman either. I suppose maybe the federal government through its reporting system, through Revenue Canada, could. But you are quite right in that they put on census and details on almost every man, woman and child, bank retail sales, incomes et cetera. I think the answer to your question could be found if someone would simply address it.

Mr. Martel: It is not a case of could, it must be found. I am absolutely convinced of that. I hope that one of the recommendations is very strongly put that society must get a handle on what those costs are because it is going to determine the action that governments must take.

I am just thinking of one plant in particular. Heintzman was in financial trouble, 1 million, and I just thought quickly there were 105 employees there. If we paid 100 a week to those 100

employees over a year, we would have paid more than was necessary to bankroll them and give them the opportunity to buy the plant back once they are financially secure, rather than pay unemployment insurance and welfare while everything is lost in a small community.

Mayor Pilkey: Mr. Rudyk and Mr. Murphy are in the best position to give you the effect on the individuals directly concerned. I am not going to cover ground with which they are more knowledgeable and can do more adequately. But there is this other dimension and often it is not looked at but it is real, believe me.

Mr. Breaugh: One of the things I tried to get before coming in here, because I thought it would be interesting to look at, was the statistics generated by Manpower Canada in the last quarter of 1980. I could not believe it this fall when I saw that they had published their statistics for the Oshawa area and said that unemployment in the Oshawa area is down. How the hell can it be down? We have lost more than 5,000 jobs since January. They are saying, of course, that it is seasonally adjusted.

The second thing 1 found is that they somehow lost 19,000 people out of our region. We asked them what happened to these 19,000 people. Did they move, have they gone somewhere else, did they go south, did they go west, where are they? They could not account for that. They said that they had changed their accounting techniques and, by a change in the accounting techniques, 19,000 people disappear. Quite contrary to what you are asking for, it appears to me that at least the federal government is doing everything it can to run in the other direction.

Mr. Martel: I think that is why I make the point. We are really afraid to grapple at what the costs are to the state in terms of everything, whether it is job relocation or people who lose their homes or whatever. That has got to be a tremendous cost burden to society, all in the interest, I suspect, of not interfering in the marketplace or the free enterprise system.

Mayor Pilkey: The other thing you must appreciate, as you know, a great amount of municipal funding comes from provincial grants. They are never high enough but we thank you for them none the less. Many of them are cost-shared. I mentioned general welfare assistance. That is an 80-20 split, the province providing 80 and the local area putting 20.

Mr. Martel: And Ottawa footing 50 of that.

Mayor Pilkey: There are all of those things which I do not need to tell you gentlemen about. Whatever costs there are to the province to help clear up this problem, they are not just saving others money; they are certainly addressing their own financial situation.

Mr. Martel: I hope out of this committee we will recommend strongly that all three levels of government must get a handle on each of the areas where the plant shuts down, the suffering, the cost and everything else that goes with it. Without that base to start from, we are just going to continue down the

road we have gone for the last 100 years.

Mr. Breaugh: We are just now beginning to realize the effect of this shutdown phenomenon, particularly in our region with nine major employers down and a multitude of smaller ones that are nonunionized and do not get any publicity but have 10 or 15 people. They are gone in addition to the small businesses. At first blush, the tendency is to think "I am thankful that I still have my job and my house and my life can still continue."

We are now beginning to realize that the water is still flowing through the pipes in the system and the system costs a total amount of money. If we lose \$100,000 or \$900,000 from one plant, everybody else has to pick up the tab for that. We have to pick up the tab for social services, distress centres and everything else. We still have to build the roads. We do not have the industrial base to carry us along.

So we are beginning to discover, slowly but surely, week by week, as the PUC does its bit and the city council strikes a budget for next year and the regional council strikes its works budget for next year, that each and every one of us is getting hit with part of this tab. The total realization is a little difficult to put together, but I think you are right. Sooner or later you must sit down and add up the total cost of that as opposed to sitting around and watching it all happen.

Mr. Martel: It twigged to some of us at least in northern Ontario a lot sooner because there are so many one-industry towns. When one industry goes down the tube, we can talk about Blind River, Elliot Lake, Sudbury or Capreol. The problem came home to roost in northern Ontario a lot sooner--that plus the fact that there are no jobs. So there is a mass exodus out because one cannot commute between Toronto and Capreol or Toronto and Blind River to find alternative employment.

Mayor Pilkey: I did not mention transit or family counselling services, et cetera. The list is even broader.

Mr. Martel: The costs are endless.

Mr. Mackenzie: I just have a couple of questions. I do not want to belabour the point, Mr. Chairman, but it is worth pointing out once again, as Mr. Breaugh did in response to a comment of Mr. Cureatz on this new tactic, that those who have been involved at all in the trade union movement or have taken the time to do any reading on it would recognize that within contemporary or modern times this is one of the oldest tactics in the book. Plant sit-ins are exactly what led to the organization of unions in the first place. In effect, it is a modified form of takeover. That was the only avenue they had. The problem was that in some of the old days, we occasionally sent the police in rather than handle it in the way it has been handled in the last couple of cases.

Mr. Martel: It is hard to read it because it does not show up in any of the history books in the school system.

Mr. Mackenzie: It should just be pointed out that it is not a new tactic. It is as old as the hills in terms of modern situations.

The first and most important question I have is, do either of you gentlemen feel there would be any real difficulty in terms of industrial development and investment in a community if we had--and I am talking universally of everybody having to do it--the requirement of justification and disclosure before a plant, be it a branch plant or a Canadian-owned plant, decided to close the doors, pack up shop and move?

If one of the requirements or recommendations of this committee--and I think a number of members recognize the need for some justification--was that there be this kind of requirement with a board set up to deal with it in Ontario and everybody having to comply with that, do you think the argument we get that this kind of legislation is going to restrict investment in the province would really hold water, on the basis that it is universal and everybody is faced with the same rules?

Mayor Pilkey: Personally, I doubt it. I think when investment capital comes looking and finds opportunities, it is there with the view of progress and profit. The concern of having to advise somebody when the thing goes bust would seem to me to be one of the furthermost thoughts in one's mind. If it was there in any great degree, you would not be there to open the plant in any event if you had those types of concerns. You mentioned a reporting system as opposed to legislated financial penalties, so I think there is a difference there too.

3:10 p.m.

Mr. Mackenzie: I am not sure how far we go with it. I am just saying that the biggest single reaction we seem to get against the idea of requiring justification for plant closures is that somehow or other we are going to scare away investment. I have never personally felt that any such requirement had to be universal, but I am just wondering if it would really scare elected officials who are in an industrialized community.

Alderman McLaughlin: If it were universal, it would not scare me.

 $\underline{\text{Mr. }Chairman:}$ It is not now universal, so your answer obviously is that if it were universal, it would not matter.

Mr. Mackenzie: I am talking about Ontario. I want to say that because we do not have jurisdiction over the rest of the country.

Mr. Chairman: The question of severance pay which is relevant to this question is something we have talked about for some weeks. I respect what you are saying, Mr. Mayor, that when somebody starts up a business, small or large, the first thing and only thing on his mind is hope, profit and optimism. Depending on the nature of severance pay legislation, one might have to fund for that on day one.

Secondly, a new enterprise, small or large, that borrowed money at 11 per cent the day it opened its door does not usually bookkeep, account or guess that prime rates would be 20 per cent, but those factors have been thrust upon people. So the cost of doing business is a complex area. The nature of the severance pay legislation and how we finalize that in the form of our recommendations could very well be an additional cost of doing business on day one.

Mayor Pilkey: I cannot really argue that because when one runs through the myriad of cost factors in determining whether to establish or not establish, or more particularly in what location to establish or in what location not to establish, presumably it is a cost factor. There already exist any number of cost factors. I guess it becomes a judgement call as to whether or not this is the one additional cost that breaks the camel's back.

I would like to think that some type of formula might be devised that would not put too much of a front-end burden on potential industry to the point where it would not allow it to proceed or cause it to decide to go to British Columbia or Quebec. I would like to think the goal could to some degree be accomplished and calculated in such a way that it is not necessarily front-ended.

I understand the point. There is only a black-and-white answer to that question if you are not totally objective. I hate to sound like a politician, but perhaps there is a middle or gray area there. I suppose if you ask the Ontario Manufacturers' Association they would say they could not put up a dime. If you ask a union, they would say they should fund it and fund it up front; it should be guaranteed in every way. I am not sure that actuarially, somehow or other, there is not a middle ground where both might be accommodated.

Mr. Cooke: Mr. Chairman, I do not have a lot of questions. You are probably in the process of formulating your 1981 budget. What are you projecting as an increased municipal contribution for welfare costs? Are you looking at a dramatic increase?

Mayor Pilkey: That function is not administered by my local municipality. It is a region of Durham function of which we are a member municipality. We have not yet been presented with the current 1981 budget for GWA.

I did discuss this question yesterday with our commissioner of welfare assistance. I advised him I was coming here and I wanted to get as accurate a view of things as I could. He felt the figures I used today, an additional 200 to 500 and the associated costs of a \$1.3 million to \$3 million, were not an unreasonable range. He fully expected their budgets will be significantly higher in 1981.

Many plants have closed. Chrysler is having all kinds of problems in Ajax, at Firestone down in Whitby and these other regional areas. He regretfully informed me that he is looking forward to significant increases in those budgets. He told me as a

local politician I would not like his budget when I got it.

Mr. Cooke: I come from Windsor and we got statistics a couple of weeks ago that our welfare budget last year doubled for the municipal contribution, and it now accounts for nearly two mills of the city's budget. This is incredible. The reason I mention that is because I think one of the things this committee should be looking at is whether or not a municipality should be even contributing that 20 per cent.

In a one-industry town, whether it be mining, auto or whatever-there are one-industry towns all across this province--when that industry takes a slump, and there is a doubling of the cost of welfare for the municipality, that means the rest of the businesses and the rest of the residents have to pay that. Not only do you get suckered by losing your income but at the same time if you cannot sell your house because the floor falls out of the real estate market you still have to pay your property taxes, and they go up to pay your own welfare. It seems kind of ludicrous--

Mayor Pilkey: A vicious circle.

Mr. Cooke: Yes.

Mayor Pilkey: You are quite right. Unfortunately we are in a bit of a transitional period where I think a lot of the people affected are still on unemployment insurance benefits. We are in sort of an election with only half the polls reported in.

Mr. Cooke: Did the Houdaille workers have SUB benefits? When is that scheduled to run out?

Mayor Pilkey: I think they were laid off in a staggered way.

Mr. Breaugh: It's gone now. You see that is part of the problem. This afternoon in Ajax there is a meeting between 1005, the Chrysler local, and the other union--

Mr. Cooke: Of course, the Chrysler workers have lost their $\overline{\text{SUB}}$ as well.

Mr. Breaugh: Yes. There are another 1,200 families for whom that SUB benefit is completely gone. Your commissioner could sit down this afternoon and write you one set of numbers. Then tomorrow morning you would have to sit down and write another set of numbers. We do not know where these things are going to fall and it is that uncertainty that really is going to get you.

The city of Oshawa is one municipality of very few in the province that puts in the front of its budget book what the local labour situation is. We have learned the hard lesson there. If there is a long walkout, if there is a big layoff, if there is a strike, if General Motors, for example, were to go down totally—as some people say it will this summer, for a four, five, seven or eight-week period—that is 17,000 workers in the union part of it and probably something like 20,000 who are employed

directly by that one corporation. Somebody sitting in Detroit can make a decision which real by takes away our economic base. It is that kind of dramatic change in funding that makes it really difficult to do this projecting.

It might be interesting for the committee to follow in the regional municipality how that actually works out by the time they get to a point where they can present a budget to the council. But there will be some dramatic shifts there, over which the regional municipality and the city the Oshawa have very little say.

Mr. Cooke: How difficult was it for your United Way campaign to raise its funds this year?

Mayor Pilkey: I believe the objective this year may have been achieved, but perhaps as a result of lowering the goal in the first place.

Mr. Cooke: We have the pride of having the highest per capita giving in all of North America in the city of Windsor, but this is the first time in our history that we did not reach our quota.

There should be some way for the province immediately to kick in and assist the agencies that are funded through the United Way. It seems at a time when those services are in demand the most, the United Way agencies are cutting back and laying off employees. Because they could not reach their quota, their budgets are cut back to 1978 levels as of this year, but their case loads are up anywhere from 25 to 40 per cent. It is crazy way of funding social services.

Mayor Pilkey: Those are all indicators, whether you want to use United Way or the number of appliances bought at the shopping centre last month versus a year ago in this month and that kind of thing.

I suppose there are a number of indicators you could use. I am just saying these are facts and figures that we know to be the case in terms of lost tax revenue, hydro, sewer and water bills. They have already been quantified. In the welfare one we gave a range admittedly. The other ones are quite factual.

3:20 p.m.

As mayor of the city of Oshawa I simply wish to advise the committee that the concern is well beyond just the labour component, if you will. Quite frankly it has affected the other businesses and particularly the small businesses, the retail community and the professions. So I bring this information to you not as a spokesman for any one sector of our municipality but simply to advise of the overall effect on the general economy. I am speaking of the kinds of dollars that are involved by what appears to be an isolated decision or problem at one plant. In total the question and the dollars are far broader than that.

Mr. Cooke: I do not have any other questions, Mr. Chairman, other than to say that I hope one of the recommendations

this committee will make will be to study the financial costs. Somehow when that type of study is carried out, I hope it will also be able to get some kind of a measure of not only the financial costs, but the social cost and the terrible psychological pressures and effects that are put on families. We can use all sorts of words to describe them, but I think the only way you really understand them and feel them is when your community experiences them.

Mr. McKessock: Mr. Mayor, could you tell me what your attitude is towards imports? It seems to me with the amount of imported cars coming into this country, it will be harder and harder to keep firms in business that are directly related to the automobile industry in the way they are in Oshawa.

Mayor Pilkey: That is difficult to answer. Every time somebody asks me a question like that I think of that phrase, if you get 10 economists in a room, you get 11 answers. They are all supposed to be experts and I am certainly not an expert or a member of GATT or anything of that nature.

I do not know. On the one hand it is nice to play protectionist politics and on the other hand I think you find an equal number of studies that would show you that is exactly not the thing to do. I am not trying to avoid an answer to that question. I am not sure I am the best qualified person to give you an absolute answer to that question.

Mr. McKessock: But do you feel the difficulties seem to have arisen since the imports have risen? Certainly in this last year the percentage of imports sold in this country has greatly increased.

Mayor Pilkey: I agree. I suspect, again from a personal point of view and a cursory review of things, that most of the problem probably stems from the cost-pushes in energy. A result of that high cost of energy was a requirement for vehicles of a type that was more economical to run and to operate. Therefore, a greater number of people search for the foreign import type of vehicle. It gained its popularity in that way. I still feel that North Americans, if they could afford it, would like to drive what they historically have been able to and that is a large vehicle.

I understand the question you raised but I do not think that is symptomatic of the root problem, which I think was the energy cost. If the energy costs were not there, I do not think many people would be buying the imports.

Mr. Breaugh: Maybe I could take a crack at that too. That is an interesting question because it is so simple in nature. We have the "Buy the cars your neighbours helped to build" campaign.

There are some very funny notions around that North American automobiles are not good cars. I have driven offshore- produced vehicles and our own, and I think we make a better product. I think ours is more comfortable; I think it is every bit as economical to drive as anything I can find on the market. I don't

think the Japanese make a better car than we make; I think the products which are made in Windsor and Oakville and Oshawa are world class. I have heard people use the term "gas guzzlers." I know the vehicles we produce in Oshawa are as fuel-efficient as you could make for that size of vehicle; and not everybody can drive a subcompact car.

If there is a fault in ours at all--and I have heard this from dealers more than anybody else--it is pretty tough to convince people they ought to buy the new K car from Chrysler in view of the price tag. The rest of the car looks just fine. The Citation is a nice little car and the Chevette is a nice little car, but when you look at the price tag in the window and you have got to pay more for that than you do for a big V8 full-fledged Chrysler New Yorker, you begin to wonder, "What the hell am I buying here?"

We are not all buying Cadillacs. Most of us are trying to buy Chevs, but the price of a basic Chev is still \$10,000. I think the corporations are going to have to look at that.

I hear that, oddly enough, not just from consumers. I hear that from car dealers who say they cannot sell automobiles in that price bracket. If you look at the K car as an example, again that is a good example of a base-price vehicle which is not that far off the mark. I think the K car sticker price is somewhere around \$6,000, but try to go on the lot and find one at that price. You find the corporations put them on the lot with a sticker price of \$9,000 or \$10,000.

I think the corporate world ought to start listening to its own dealers saying, "We can't sell them at this price."

Mr. Martel: You are right. You can buy a Chrysler--and I drive one--for less than a K car which my wife is driving--and considerably less; in the range of \$2,500. There is something screwy about a system that can produce a Chrysler at \$7,800 or \$7,900 with a lot more weight, a lot more material than a K car that costs \$9,700 and is half the size. They are going to force us to stay in the range of the big car even with the cost of gasoline. Once you have that difference in price, you are going to be able to drive your bloody big car cheaper in the full package than the little one.

Mr. Turner: Depending on how long you keep it.

Mr. Martel: No, it does not matter because of the fact of your gas.

Mr. Chairman: Hockey, cars, here we go. This is really--

Mr. Turner: As a matter of fact, that is a valid point. I think, with all respect, Mr. Chairman, if I may--

Mr. Cooke: You can't talk about this without talking about the Liberal interest rates.

Mr. Turner: The automobile manufacturers are going to

have to take a look at their marketing policies. Quite obviously, one of the complaints in addition to what you said, Mike, is the optional extras. Some cars come in completely equipped; with other cars you pay for everything extra on them. It is a marketing problem.

Mr. McKessock: I just raised the point of the imports, that we are looking for something that has caused the problem or something--

Mr. Cooke: Imported cars are not selling any more this year than they sold last year. People have stopped buying cars because they can't afford to borrow the money.

 $\ensuremath{\mathsf{Mr}}$. McKessock: My understanding was that the percentage of imports was much higher.

Mr. Cooke: The sales of foreign cars have not risen. The number of units sold in Canada in 1980 was something like one per cent higher than 1979, so the number of units they are selling is not higher. The problem is people are not buying cars because they can't afford to pay 16, 17 and 18 per cent, if they are lucky, to get a consumer loan at that rate.

Mr. Breaugh: I think the bottom line for most people who are directly or indirectly affected by the automobile industry is that. You could ban every single import and you still would be faced with the task of trying to convince the public they ought to go out and spend \$10,000 for a Chev at 18 per cent interest rates.

Mr. Cooke: It would double over four years.

Mr. Breaugh: It might be very dramatic for somebody to suggest that the Lada is an evil creature, but the hard fact is there are only about 12,000 Ladas sold across the country, probably about 8,000 of those in Ontario. That still does not do anything for my auto workers in Oshawa or anybody else's in Oakville or Windsor. There is nothing very positive about that stance.

I think that most of us have come to the realization that, given a choice, we will buy a North American vehicle because it is as good or a better vehicle. But there are some problems in there which have to be sorted out.

3:30 p.m.

Mr. Chairman: Mr. McLaughlin, you mentioned earlier--Mr. Mayor, if you would respond to this, as well--that local government spends some time and money trying to attract industry. In this competitive time, there would be at the local level of governments all kinds of competition going on I suspect.

What are your best-selling arguments to attract local industry to your community? Have you had any success of late? What is your relationship, when you are trying to do that, with the Ministry of Industry and Tourism or the federal government? Could

you just tell us a little bit about what you are trying to do to place new industry in your community?

Alderman McLaughlin: We have an ongoing program. Our two biggest selling features are that we have a skilled and capable labour force and that we have industrial land that is comparatively cheap in our area compared to Toronto prices, but we have had limited success. It seems that the push of industry to locate east of Metro is very slow, and it is only going to get to us once Pickering, Ajax and Whitby have more or less filled up. We have had limited success and a few new plants have been built.

Mayor Pilkey: We have our own fully serviced industrial park ready to go. Fully serviced, our land costs are such that it was suggested we were pulling the market around and down a little bit because we would like to market some of that land. You could start tomorrow; all you need is a building permit. It is zoned, it is serviced, it is everything; it is all there. I think the problem is there are over 9,000 serviced acres of industrial land in the golden horseshoe, and every municipality of any size at all is in the competition to market and to attract that industry.

The absorption rate of industrial land in this part of Ontario, I think, would be somewhere around 600 or 700 acres per annum, and there is 9,000 available now on the shelves; so you begin to understand the kind of competitive network that you are in and the likelihood of achieving it. Of course, the further away you are from the central core where the action is, you have a problem.

I talked about one thing in the last municipal election that we would like to pursue. Ontario has a go-east policy. They would greatly assist us by extending the Metropolitan Toronto cartage rates so that we are not disadvantaged in the Oshawa market area relative to those municipalities that abut us to the west. It is the same--although it is a federal government problem--with Toronto telephone lines; they are dramatically higher in Oshawa than they are, for example, in Pickering.

If these kinds of disincentives can be identified and removed, it would give us at least an equal shot or chance with others, and we might offset others because of our lower land costs and being ready to accommodate immediately.

In all due respect, Mr. Chairman, you will appreciate this comment. Some of the significant developments we have had have been commercially and institutionally in our central business district downtown--more recently buoyed by the announcement in construction of the new Ministry of Revenue building in downtown Oshawa. We co-operated extensively with your government in bringing that facility and the multimillion dollar parking facilities with it. We appreciate that. We did that through the Ministry of Revenue, with Doug Wiseman and through Government Services.

We would truly love to come to another committee meeting such as this to offer congratulations and appreciation of some

industrial endeavour through Industry and Tourism, something of that nature.

 $\underline{\mathsf{Mr.}}$ Chairman: The A. G. Simpson Company, the new owners of the old Houdaille operation--did either of you have any contact with them at the time of their acquisition?

Alderman McLaughlin: I didn't, the mayor may have done.

Mayor Pilkey: I did have a visit by one of the officers of the company.

Mr. Chairman: Since you have been mayor or earlier on?

Mayor Pilkey: Yes.

Mr. Chairman: When you are working with them now at this stage of the game, are you attempting to facilitate their startup? I assume they are in the bumper business or will be when they get going.

Mayor Pilkey: Perhaps.

Mr. Chairman: It is still "perhaps." What I would like to know--this will be my last question--is have you got with the A. G. Simpson so far, or might you in your discussions with them get to the point where you might make some kind of--deals is a bad word--arrangements, tax breaks, anything to help them get started up?

Do you know what I am getting at? In the context of Ford looking at Ohio or Ford looking at Ontario, those two levels of government barter with the company, do you offer deals and, if so, how do you recoup what you have offered?

Mayor Pilkey: This is a problem. We operate under the Municipal Act, as do all municipalities in Ontario, and the Municipal Act prohibits, by law, the offering of incentives or inducements through relieving of real property taxes, et cetera.

I understand that is not the case in some states in the US, agencies of that type. To my knowledge, therefore, we are dependent upon the province or federal government to provide those kinds of incentives or inducements. We would not mind getting into that again but regrettably, as creatures of the province and under the act established by the Legislature, we are prohibited from doing so.

Mr. Chairman: Thank you, I didn't know that. I appreciate that.

Alderman McLaughlin: We get accused in Oshawa of underselling the market with industrial land. That is only because as a city we had the foresight, 10 or 12 years ago, to buy vacant land and zone it industrial, so naturally our product is cheaper than that of surrounding municipalities. But we still get accused of undercutting them.

Mr. Turner: How cheap is cheap?

Mayor Pilkey: It is \$39,000 an acre, serviced industrial land ready to go, and if you bring your client down tomorrow morning I will meet him at the site and we will have him going very, very quickly.

Mr. Turner: With all due respect, I can offer you a better deal in Peterborough.

Mr. Cureatz: I have one quick follow-up, your worship. I think you have to admit that in any inquiries we have made to the Ministry of Industry and Tourism to facilitate possible site locations, they have been more than co-operative to date, certainly since your position as mayor. I think you would have to acknowledge that.

Interestingly enough, Mr. Chairman, one aspect of the mayor's campaign was a committee at the municipal level to work in conjunction with the other levels of government, Queen's Park and the federal government. Your worship, I am looking at the names of Mike Breaugh, Alan Pilkey, Bill Fairservice, Ted and Bill--are these the members of this committee?

Mayor Pilkey: No. As mayor of the municipality, I established a legislative liaison committee. They are strictly members of council, Alderman McLaughlin, whom you know well, John Aker, whom you know extremely well, Alderman McArthur, who I understand you will soon get to know, and myself. That is the committee. It was simply an attempt to be here from time to time to become aware, sooner rather than later, of any changes in grant structure or provincial initiatives that we might take advantage of.

Mr. Cureatz: That is the type of thing that might be facilitated in terms of a commission if you were investigating the necessity for plant closures, having municipal input instead of a municipal councillor sitting on the commission.

Mayor Pilkey: Right.

Mr. Chairman: Mr. Breaugh, would you invite our other witnesses forward? Gentlemen, would you just stay put, if you don't mind.

Mr. Breaugh: Now I would like to kind of flip the coin and show you another perspective.

There are four people who were able to attend this afternoon from the labour community. Bill Fairservice is the president of the Oshawa and District Labour Council and he has with him Terry O'Connor, one of his vice-presidents. Ted Murphy is the president of Local 222, and Bill Rudyk is the plant chairman for the Houdaille unit.

Would you gentlemen just come up and find some seats near the microphones?

I think Bill and Terry may want to lead off, and I know that Bill Rudyk and Ted Murphy have a couple of words they would like to throw in too.

3:40 p.m.

Mr. Chairman: Welcome to the committee. Gentlemen, just to facilitate our records and the transcripts, when you begin to make your comments, would you identify yourselves, please, for the benefit of the Hansard reporters.

Mr. Fairservice: I am Bill Fairservice, president of the Oshawa and District Labour Council. I would just like to speak briefly on one of the side effects that plant closures have caused in the Oshawa area and the Durham region. It has to do with the building trades. I also represent the labourers' union in Oshawa.

I suppose construction starts are our bread and butter and I think that part of what has to be attributed to the plant closures is the lack of housing starts in the Durham region and also the lack of expansion in the service industries. Both are causing us quite a bit of concern. The local union that I represent is currently facing 60 per cent unemployment; we are in that position right now. Houses, and I suppose service products, are not selling, some of which we have to lay to the plant closures.

Normally, the construction industry has been able in the past to absorb some of the people who are being put out of work in a plant closure, but because of the number of plant closures that we have faced in the last couple of years it has just had the reverse effect. The effect is that we are not having any housing starts, we are not having any expansion and, as a result, people are out of work and we are not able to take any new people into the industry.

Again I say plant closures have to be part of the reason for the lack of employment. Despite interest rates and everything else, if a man has a job and feels fairly secure, he is going to try to house his family. I think interest rates and cost of oil, et cetera, is secondary. If he has a job he is going to go out and buy. This is almost an impossibility in the area that I represent at the moment, and as a result, houses are not being built, people are not working. I would say that plant closures and loss of jobs in our industry go hand in hand.

Mr. O'Connor: I am Terry O'Connor, vice-president of the Oshawa and District Labour Council. I am a Canadian Union of Public Employees member representing public employees, and as such we are not as directly involved with plant shutdowns.

Someone mentioned United Way agencies and the difficulties with their budget and so on. Our members work for such agencies, so they are being faced with an employer who is having pressure because of revenue. Whether it is a United Way agency, a municipality or a province having a revenue problem, our people are finding their work loads increased. I don't want to get into that, that is sort of a secondary kind of thing.

Our members are directly involved with the plant shutdown situation in picking up the pieces. They are family counsellors, for instance, who are involved with family problems, marital discord, things like that, which increase with economic insecurity. People lose their jobs and they start having difficulties at home.

There are countless variations of family problems that result from shutdowns. All of a sudden, the family has to find whatever kind of income it can. A woman who has been out of the job market for 20 years has to take a job in a nursing home at \$3.50 an hour to try to put bread on the table. Perhaps they have a son or daughter in university who now has to drop out of university or college to try to make some income to bring into the family to keep the home going.

Whatever kind of family problem that may be there, whatever kind of stress the family has, once you add the fact of the primary breadwinner being out of a job or looking at the prospect of losing his job six months down the road, the stress is just exacerbated.

There are also social workers involved with children's aid, child abuse and child neglect. Perhaps not as directly involved with things like that but causing a problem in the family is the fact that the husband and wife are worried about their job and meeting the other needs of the children sometimes has to take second place. The children start acting out the problems at home and probation people, school counsellors, children's aid societies and welfare workers and so on start getting involved.

Mayor Pilkey spoke of the problem of the welfare budget. Our people see the human aspect of the people who have been thrown out of work because of a plant shutdown, and there are countless variations of this. There are tragic, human stories, such as a worker who had worked at Robson-Lang for over 30 years, a man in his early 60s, who all of a sudden was out of work. He had worked hard all his life, been proud of what he had done and was able to raise a family. Then all of a sudden he is out of work and has to apply for welfare. He is going to get a pension in three or four years but the pension is going to be \$13 a month. What does that do to his pride, his dignity, his family and so on? Our people could recite countless individual stories.

I do not want to address the question of proposals or solutions to the problem. The people in the industrial sector are more familiar with that. What I would like to stress, as a public employee and speaking for the public employee sector, is that we really feel your task as a committee is an extremely important one.

Mr. Martel mentioned earlier that as a society we have to take a look at the bottom line, the human costs as well as the financial costs. We would stress that your committee is one of the most important committees that is active right now. We compliment you for having us here and urge you to address the problem as diligently as you can. Thank you very much.

Mr. Rudyk: I am Bill Rudyk, formerly chairman of the Houdaille plant in Oshawa, Ontario. On short notice, I managed to put a little package together. It will not take long. Unfortunately, when you become speaker number three or four, in the lengthy discussion the mayor had he touched on many items I was going to touch on. I am going to brass my way through all this anyhow and I hope to give some type of input.

In regard to severance pay, the main reason we are all here, I just want to point out very clearly that this plant that was closed in Oshawa was 50 years in the community. It had 32 years of strike-free negotiations. We held Big Three patterns in wage packages and benefits and there were even times in the early 1960s, as Ted will verify, when we even superseded the Big Three.

When the company came to the table to talk about a new contract, they actually held a gun to our head. At that point, they wanted to give a person like myself, with almost 25 years service, \$800 severance pay. If you want to divide that out into 24 years, it is not too tough.

In regard to the close-out details, this is one of the reasons we had to hold the plant hostage, as we were accused, at that time. It was a peaceful demonstration, as everybody has already pointed out. In fact, Fort Lauderdale, where the head offices are located, immediately phoned on the second day of the takeover and the first question they asked was whether there were any windows left in the buildings. They found out that we were maintaining the grounds and sweeping the floors. We did exactly the opposite of what they thought was going to happen.

3:50 p.m.

There were a lot of things, as we know now, that were wrong. A worker, once he has been given notice that the plant is going to be shut down, should have the option to give two weeks' notice and move on to a job if he can find one.

We had a situation where a person with 27 years' seniority, a skilled man, was told the plant was going to close down on October 31. He had a chance to go into a good job and left. On leaving, he forfeited \$6,000 worth of severance pay.

That is not the tragic part. The tragedy is that if he had not accomplished his 90-day trial period at General Motors, he could have lost that and not come back to Houdaille and thus lost at both ends. I am saying, as a point, that a person, after an announcement, should with some type of notice to the company, possibly two weeks, be able to say, "I have a chance for a job, I would like to leave," and still receive the severance because the plant is running down. The company played with the money. As recently as this week, some of the moneys have finally been paid through International Trust through the Fort Lauderdale office.

The life insurance policies were all cancelled. This is another point to take into consideration. After a person has contributed to a life insurance policy for some 30 years, and as much as 37 years, it is now cancelled out. We all know through

negotiations that life insurance costs pennies per thousand, but it does not cost pennies per thousand once you are 63 or 64 years old and go out in the market and try to buy life insurance policies. That is an extra burden on the family in the event of death.

Without doubt, severance legislation will have fish hooks in it when it comes out this April. I ask the question now, though I do not think anyone has the answer, what happens if a company is truly flat and broke? Where will the money come from?

You have the bank standing at the gate saying, "We own the building." Someone else is standing at the back gate saying, "We own the equipment." Possibly the guy has absconded with the money or truthfully just went flat broke. Now I say to you, where the hell does the money come from for severance pay?

This could happen. We were lucky that our company did have the money as they proved three weeks after the settlement, because they went on a \$1 billion shopping spree in the United States and bought three more companies.

I suggest at this point there should be a fund set up, possibly on the lines of our SUB fund in the Big Three in the UAW where there would be equal contribution on the company side and the worker's side. In the event of something big happening down the line, there would be something to lean on.

The long-term notice everybody is advocating is not so good. Everybody has pointed out, as the former speaker did, the mental anguish and what it does to people. If you want a good example, go to SKF in possibly another month from now. They know they have 14 months to go. I think the announcement was made some two months ago. Ask any one of those workers what he thinks of long-term notice. Perhaps long-term notice to FIRA or long-term notice to the provincial government is good, but not to the guy on the floor.

The chamber of commerce in the media is now saying that severance pay would cost annually somewhere in the neighbourhood of \$7.5 million and will scare off investors. We do not believe this. We say that the multinationals operating in Germany and all through Europe work under more stringent closedown and severance laws than Canada will possibly see in the next decade, and they seem to get along very harmoniously.

We can no longer keep coming here to Queen's Park with the passionate arguments submitted brief after brief by the Ontario Federation of Labour and different unions and have Premier Davis give a rebuttal, with Larry Grossman sitting at his side, on statistics on how many jobs we lost and how many we created. That is not the answer. We have to adapt to the circumstances. Ontario has but two main resources: seven and a half million people and industry.

The Japanese are now saying that Canada is a paradise for lazy workers. Let me be the first to admit that we have an undisciplined work force at this time. Recently, we saw the Japanese outproduce the United States and Canada jointly by some

12.4 million automobiles versus 9.2 million here in North America. We have all watched the Japanese copy the world; I think it is time we copy the Japanese and fight back by providing jobs and security.

Knowing all this to be fact, it is time to make the worker's plight a little more rewarding than in the past. Unions will, in the future, have to find a new kind of courage and strategy in conjunction with government legislation. The days of the Fleck and the Boise Cascade strikebreaking are over. The idea of big business and big government trying to invoke the eleventh commandment, as I have seen it in the past, "Thou shalt not strike," is an impossible dream. Unions are here to stay and we have to learn how to work together.

The most important point I would like to leave behind today is the question of portability. If we had this, we could solve some of the before-mentioned problems. Portability is nothing new. It is 80 years old in Europe. We would not have that problem with that person who left that \$6,000 severance pay behind and started from day one in General Motors. It is the same town, the same union, almost the same street, but he starts as day one. He left 26 years behind.

Pension or insurance is nothing new. The United States has now had it on stream for almost three years. If you had portability, you would have an incentive to go to work. A guy like myself, instead of being a recipient of unemployment insurance, would now say: "I've got 25 years in. I've got to go to Alberta; I've got to go anywhere, but I have to get my other five years in. That's what I've got to do." Instead, I am sort of sitting and watching the winter go by.

Everyone comes from somewhere, a logging camp or a mining area, three years here or four years there, and they are all lost years. Nobody should work a lifetime for nothing and nobody should work and get \$122 pension after 25 years at the age of 60. And that's mine right there, if anybody wants to look at it.

In conclusion, if we are to enter the twenty-first century as a productive province, we have to change our labour laws. We cannot run and keep trying to run this province between strikes, sit-ins and labour unrest. We have to show labour that management and government are responsible. In turn, both union leaders and workers will put in a maximum effort to make this province a good place to live and work.

If this committee takes any recommendations back, be it portability and severance, then this certainly would be a giant step forward. I thank you.

Mr. Chairman: Thanks very much. Any members of this committee with questions? Mr. Mackenzie and Mr. Ramsay.

Mr. Breaugh: I think Mr. Murphy wanted to speak.

Mr. Murphy: I cannot weigh the effect it has had on the membership of Local 222. Obviously, we have not got the full

impact of the Houdaille closure because of the fact that it has only been down for a short period of time up till now.

But I can assure that if you come down to my office and listen to some of the people who come in there from the Houdaille plant, from the Firestone plant and the Fittings plant looking for jobs, when you see the situation they are in, in so far as losing their houses are concerned and getting themselves in a position where they cannot let their children, as Terry points out, go through college because they do not have the funds to do that now, then you know that it is certainly having an effect on the community.

Mike pointed out that we are in a situation in Local 222, for example, where the biggest part of our local is the GM unit. We have had some people hired there. That is factual. Our membership is probably as high in the General Motors plant as it was prior to the auto pact going into effect in 1967. It is somewhere around the same area.

The fact is that we are losing some good jobs out of the Oshawa plant. Just recently the company announced that the radio department is going to be moved to Mexico. We know why the radio department is going to be moved to Mexico. It is because in Mexico you have to have some content in order to be able to produce cars in that particular country. We are losing the wiring to Mexico.

These jobs are being replaced, the company tells us, by other types of jobs. For example, the floor space for the radio department is going to be put into the instrument panel department. Just before I came up here, the plant chairman told me that there would be 13 people working in the area, whereas we had over 160 people working in the radio department.

So when you offset the amounts of things we are losing in the auto industry, though quite frankly we are up in Oshawa, we are not really up in the other plants. In the Scarborough van plant the population is down. For example, they have announced they are going to discontinue the big truck, the Terex, in the London diesel plant. There is a possibility that that could be going down and going to Germany.

4 p.m.

As Bill said, our position in the United Automobile Workers has been very clear from the outset. We met with the government people at all levels, both federal and provincial. I see Mr. Cureatz is not here now, but he indicated, What did we do; why did we have to take over the plant?

I can assure you, within a week of the plant closing I met with Mr. Cureatz and all MPs and MPPs involved and told them the situation we were in. We got very little correspondence back from them. Because I happen to be on the executive of the Canadian council we presented briefs both to the federal government and the provincial government on the basis of bereavement and severance pay. Quite frankly, we are not getting any response.

I would hope that this committee would come back to the two recommendations that Bill made on the basis of severance pay and portability. We have experience on plant closures and we know what the people have to have, some of the guarantees that these people have to have. I hope that you are going to come down with some type of recommendation, in particular on those two things. These are two things the workers have to have in order to be able to walk out of it with some self-respect and try to find another job.

I have people coming into my office who have 25 years' seniority starting with General Motors. As Bill said, they are getting \$122 pension. They are 53 years old and are hired by GM. They are going to be leaving the plant probably at age 70. They are not going to end up with any type of pension even though they spent 25 years in the Houdaille plant. This is the type of thing that you have to deal with. This is why the governments of Canada have to address themselves to portability of pensions and also bereavement. I really haven't anything else to say.

Mr. Chairman: Also on the bereavement?

Mr. Murphy: Bereavement and portability of pensions-pardon me, severance and portability of pensions.

 $\underline{\text{Mr. Chairman}}$: The emphasis on the same two points that Bill made.

Mr. Mackenzie: Just to the brethren in CUPE: Are you able to measure already, as a result of the shutdowns over the last couple of years, an increased case load of social, family and child problems? Are the workers seeing the social results in increased problems at this time?

Mr. O'Connor: It is not showing in terms of increased numbers of people working in the welfare field, but I have heard of a situation in Thunder Bay just recently where they are eliminating things like rehabilitation workers for alcoholics, for people with various kinds of problems. They are eliminating specialized case loads and so on. The people who were doing these various specialized things are now doing just distributing general welfare. So there is not an increase in the number of workers, just a change in the kind of work they are doing.

Mr. Mackenzie: I realize you are still in the transition period where there are some benefits that are still being paid out. I was wondering if it had started to show yet in terms of family problems, alcoholic problems, social problems as far as your workers are concerned.

Mr. O'Connor: Yes; in the sense that the problems are not being met. For instance, two years ago in Durham region, a person wanting to go for family counselling might have been able to get an appointment later on in the week or next week. Now I would suspect it is probably a month or six weeks before they would get an appointment to see a family counsellor because of two things happening. One is the increased number of people requiring this service; the other is that because of the pressure from government to hold costs back, they cannot increase the staff.

Mr. Breaugh: There is another point which we should get in because we cannot bring the whole community down here. People who work in the local distress centre are really being harried now. When people have a family problem, whether it marital, alcoholism or whatever, they can always go to places like a distress centre or an alcoholic abuse centre. Those places are now doing a booming business.

Part of the problem is that projecting business again. When we have people who now come into my constituency office needing some kind of emergency assistance, the kitty is dry; what was possible and what had been projected six months ago to meet that need through the local Durham regional community social services cannot be done any more. It is very difficult; there is that.

The other thing is part of what Bill Rudyk said. People came to a place like Oshawa from all over eastern, central and northern Ontario because it was seen as an industrial centre. A number of people I have met in the last little while, out of, for example, the Houdaille plant, cannot afford to live in Oshawa any more. They cannot afford to keep up that house, that lifestyle; they do not have a job and they are going back to where they came from. They are going back to northern Ontario.

Some of them have a rather romantic notion, I am afraid, that they can hunt, trap, fish and do that kind of stuff. Maybe they can. I can tell you the ones who are trying it are experiencing great difficulties. The tragedy may be that these people simply retreat to rural Ontario where there are no social services to speak of, and the problems will remain hidden; you will not see them because they are not around any more. The problems will be just as real and they will be there, but they will be more difficult to identify.

The work force in Oshawa comes from all over Ontario and in bad economic times it disperses back there. A fair percentage of them just plain leave town because there is no option. You can be sure they cannot stay there. They cannot meet the mortgage payment and they have to go somewhere; so they just pack up the pickup truck and head north. That is going to be another difficult problem, to try to trace where those people go and what happens to them and to their families.

It is difficult to get a quick handle on that problem. You can find around the community some key places, some identifiers, and get part of the problem in focus, but it is pretty difficult to get a total picture.

Mr. Rudyk: I would just like to make a little addition in regard to the spinoffs. You were asking about when Houdaille and Firestone closed just several weeks apart. In the Oshawa shopping centres, which have something like 139 stores--I don't know the total employment of people there--immediately in Marks and Spencer, in this store and the next store you saw the cutbacks. You saw three people go here, four people go there; and this was immediately afterwards.

The other thing I want to add right at this point, which I

think is a good time, is the attitude of the youth. My boy is 18 and I have already heard him and others talking out in the back about what is the use of getting a job, you work so long and they kick your ass out anyway. This is another thing we are developing, without knowing it, at this time. The youth are getting their thinking twisted, if you want to call it that. That is a bad sign for the years to come.

Mr. Fairservice: To add to what Mike and Bill have said, the problem is just starting. I think General Motors have to be commended for what they did for a lot of older people who, a few years ago, they would not have bothered to take into their work force. They should be commended for some of the people they have taken in from the plants that have been closed down. But what happens to the unfortunate people when unemployment insurance runs out?

 λ good part of the 60 per cent of the unemployment that we have in my local union at the moment does not have the 20 weeks to qualify for unemployment insurance. My own son, to bring it a little closer to home, has 10 weeks out of 1980. This is another thing that is going to compound the problem.

A lot of these people are at an age where General Motors is probably going to take them in and give them the 90-day trial period, but they are not going to make the cutoff. As I said in the past, the construction industry has been able to absorb some of them, but there are no housing starts, there are no factories being built, the service industries are not expanding. There are no jobs there. Where do they go?

Mr. Mackenzie: That is an example of the hidden unemployed, Mr. Chairman. If your son is not drawing because he does not have the necessary number of weeks, then he does not show in the numbers of unemployed that we have in Ontario.

Mr. Cooke: I just want to ask a supplementary. Are you having the problem in Oshawa that when General Motors hires someone who happens to be on layoff from one of the other plants-not a plant closure, but a layoff--that he has to supply General Motors with a form that indicates he has officially guit his job where he is on layoff?

We are having that happen in Windsor and it has caused problems. Guys do not want to officially quit, say from Chrysler, because they have had years and years where they have contributed to their pension and so forth.

4:10 p.m.

Mr. Murphy: I have not run into that problem.

Mr. Ramsay: Mr. Chairman, Mr. Rudyk half apologized for his presentation; I do not think he had to do that at all. I think his was one of the most practical presentations we have had before us here in the past number of weeks.

A couple of questions on the comments he made. A lot of

people are coming in here and telling us that the legislation is not sufficient for layoff notice, that there should be more layoff notice. If I understood you correctly, you were stating that long-term notice did not really mean anything. You referred to SKF with their 14 months and so on, as if it was not a factor.

Mr. Rudyk: As recently as two nights ago on one of the networks, one of the top economists was predicting 31,000 bankruptcies in Canada this year. So if a plant has the X on it, or the kiss of death, as we have been calling it--like Chrysler--it is going down. There is nothing you and I can do to stop it.

Mr. Chairman: Excuse me, Bill. When you are turning--this is an awkward damn room--but you see these microphones. Maybe if you pull your chair back a bit more like this.

Mr. Ramsay: You do not have to reply to me, just reply to the chairman.

Mr. Rudyk: Now I forget where I was.

 $\underline{\mathsf{Mr.}}$ Chairman: I am sorry to do that, but we do not otherwise get a copy.

Mayor Pilkey: You were talking about the large number of bankruptcies.

Mr. Rudyk: What I am saying is plant notice, several weeks' notice, several months' notice, is not as imperative as severance and portability. Here I am saying on one hand, if the plant comes along and says to me: "We are closing down Friday. Here is your certificate with your 24 years, here is your \$4,000 severance. Grab your baloney bucket and scram. It has been nice," I would love it that way.

Plant notice, as I said at the Ontario Federation of Labour convention--it was notable, they put it on the front page of the Globe and Mail--extra notice or long-term notice is like getting your birth certificate with two dates on it, when you were born and when you are going to die. What I am saying is you do not need that.

I am repeating myself, but the Foreign Investment Review Agency has to know, the provincial government has to know, and this is another matter. But to the individual on the floor, to save all that traumatic experience and anguish that he has to go through this is not a necessary factor, not nearly so much as the portability and the severance pay we are talking about which can hold them over at least for the winter. It is like what I am going through right now. I hope this answers your question.

Mr. Ramsay: It does. I was not implying at all that portability and severance pay did not have a much higher priority. I agree with you it does, but there have been people who have told us that we should have longer notices.

Mr. Rudyk: I do not know why.

Mr. Ramsay: You are telling us the opposite.

Mr. Rudyk: If they got 55 phone calls every evening at their $\frac{1}{10000}$ in three different languages, they would be saying exactly what I have been saying.

Mr. Ramsay: The next question is one of clarification. You referred to a gentleman who, if he left Houdaille to take another job during his notice period, was going to lose \$6,000 in severance pay, if I recall correctly what you said. How could that come about? How would that happen?

Mr. Rudyk: Upon plant notification, The plant notified us they are going to close the plant on October 31, 1980. We plug along for a few weeks and then this man decides he can get a job working at his trade in General Motors. He came to me at that time and asked, "What do you think we are going to negotiate in regard to severance pay?" I said: "I don't know, John"--John Hofkirchner is the man in question, with 27 years of service. "A possibility is that we are going to get maybe \$2,000, \$3,000 boiled down per year. It is a difficult question to answer; I would be real foolish to try." If he went to management, they would give him the same type of answer I gave him.

He decided to leave, but the risk he took was that by leaving Houdaille, he not only lost his \$6,000 with his 27 years of service, he started at a plant one mile up, almost on the same street, his new 90 days. If he did not make it or if someone did not like him--after all, he has been oriented to a bumper plant and maybe he would not fit into the type of work that General Motors had cut out for him--he could be let go in that 90-day period. He would not be able to come back to Houdaille to pick up his severance pay and he would have lost his other job. So he is out in the snow on both counts. That is not right.

That is why I am suggesting that a person, if he can move on, should be able to go to the firm and say, "Here is my two weeks' notice, I have a chance for a job," and he would go. There would not be that many, there would be just a handful really; because in times when plants are closing down all over, there are not that many jobs to find anyway.

Mr. Mackenzie: I think a quick answer to this is that in most cases--not in every case but in almost every case--companies that are closing down have a stipulation--we have had it put time and again--that the worker has to stay there until the last day or he will lose any benefits there might be in terms of severance, and that is wrong. I think that would be a very simple measure to correct.

Mr. Ramsay: I think that is an important point that you have made today, and I think it is one that will remain with the members of the committee.

One final question, if I may, Mr. Chairman, and perhaps I should address this to Mr. Fairservice, because he raised what I $\,$

think is a very interesting point. He said that General Motors are taking older men in--let me rephrase that.

I know of some plants that have introduced policies where you have to have grade 12 education and you can't be over a certain age. That is fine if you know the rules of the game and you are just entering the work force out of school, whatever the case may be. That is fine, but it does have certain restrictions to those people who are trying to relocate in the work force if they haven't had their grade 12 and they are 50 years old, or if they are 50 years old and the age is against them in going to another job.

Just what has General Motors done to relax their regulations? What were their regulations before and what are they now?

Mr. Fairservice: I haven't worked at General Motors for quite a number of years, but when I did work there in the past--I guess going back about 14 years ago--at that time there was an age limit.

I had gone back to General Motors I think for the third time. I was a construction worker at heart, and very, very fortunate, at my age, to be rehired by General Motors. At that time there was an age limit, and I think that General Motors seemed to have lifted or relaxed that regulation in order to take some of the people who were affected by plant closures into their work force.

Mr. Ramsay: Would General Motors have an education standard, as well? Would they have a grade 12 minimum?

Mr. Fairservice: I am not qualified to answer that. Perhaps Ted would be.

Mr. Murphy: What Bill is really saying is that up until this last hiring, the last people they hired, they did have a certain age restriction. Quite frankly, they wouldn't hire people who were over 40. Even though they wouldn't admit that, it was a known fact that that was the situation in the hiring policies in the plant.

Mr. Ramsay: What about education?

Mr. Murphy: There is no stipulation in so far as the assembly end of it is concerned. There is in the skilled trades; you have to have grade 12.

Mr. Ramsay: I think it is a good point that you raise, because perhaps there are deterrents out there with existing industries to prevent some of these laid-off workers from getting jobs, age and education. That is something that we have not addressed before in this committee.

Mr. Breaugh: This is an interesting point. In part, the hiring policies of any big corporation are the corporation's business in this country, and they can hire whoever they want. Up

until the point where they become permanent employees and are represented by a union, there really aren't any rules. So the hiring practices of a company like General Motors are its own business.

It is true there has been a lot of pressure in the community for GM to try to take on some workers who have been dislocated from another industry in the area, and they have done that. In a sense, that is a very gracious move on their part, but it is also true that they are hiring from a very stable, experienced work force, and so they are getting good value for their money.

The point that Bill tried to bring out, and that a number of other people have pointed out, is that when a layoff notice is posted, or in the case of Houdaille, when they are going to shut the place down, there is a crap game going on here. The guy looks at his 27 years' experience and he says, "Do I blow that all away, that pension, that possibility of severance pay, for the chance that I might get a job in GM and I might make it past the probationary period?" That is the gamble that people have had to take.

I could give you chapter and verse on some individuals who have gone to GM and made it; they have got their permanent job now. But I can also give you a large number of others who have gone to GM, got hired and didn't make it past the probationary period. For some of them, like the one Bill pointed out, that gamble cost them a lot of money.

4:20 p.m.

For example, I know some guys who worked at Houdaille and who had an accident at Houdaille. They were able to continue to be good solid workers, but had a compensation claim--injured a knee, injured a back, whatever. Houdaille, as you know, did not have a heavy legal responsibility but a slight moral responsibility to keep those people in their work force.

On the other hand, when they tried to transfer, even though they might be good workers, the sorting process says and the application forms say: "Have you ever had a compensation claim? Do you have any medical problems?" It is very difficult then for that worker, even though he might be very good, very conscientious, to get a job in another plant like GM.

I can tell you that it is not written down anywhere, but if you have got a bad back or a bad knee you are most unlikely to get employment in General Motors or any other corporation.

Mr. Cooke: There is high unemployment when you have 20,000 people applying for jobs at General Motors like we have in our city right now. I had a woman who went to General Motors to apply at the trim plant and she had a slight case of lazy eye--I forget the proper term for that--and she was told quite frankly not to even bother handing in her application: "We have lots of healthy people who can take the jobs. We have 20,000 people who have applied for the jobs at GM."

Mr. Ramsay: That is exactly the point I am trying to make, Mr. Cooke, that there are other deterrents in the work force to relocating workers. Mr. Fairservice drew attention to one that I had not thought of up until this particular point. The one that Mr. Breaugh has mentioned is one that we had discussed earlier in this committee, but we had not discussed age or education. Those are deterrents in certain industries in this province.

Mr. Chairman: We have completed our line of questioning and on behalf of this committee--

Mr. Breaugh: I wanted to say a couple of things at the end of this. I asked for some time before the committee and I had to make some judgement calls which may not have been all correct. We could have brought you more than this room full of people and their own personal tragedies. We see them, not in a committee room, but in a shopping centre or at the rink or on the street. The tough ones are the people who are 35 to 55 years old. It's pretty tough to employ those people, pretty tough to recommend that they are sensibly going to get any justice out of this world, and they do not understand. Bill Fairservice said it rather nicely.

There are a lot of people in my community now who do not understand what has happened here. They believe in the work ethic. They have spent 25 and 30 years in a plant. They have done what their parents told them to do, work hard, work long. They have done everything society expected them to do and at the end of that they are dumped and they are disoriented and we now have to try to pick up those pieces.

I did not want to bring that kind of personal tragedy here because I will tell you I have some difficulty dealing with it and I really did not want to lay that number on you. I do not know what to say to somebody who is 48 years old, has done his time in a plant, and has not got a snowball's chance in hell of any real income for the next 10 or 12 years. I do not have a good answer for that. It certainly is not a quick and easy one. Maybe you could try to do some of that.

I wanted to give you more than one side to the story because you are going to have to make some choices on priorities. Bill Rudyk is right. When you talk to guys who are thrown out of work at Houdaille, they do not want a longer notice provision, they were not too happy with the notice provision that was there. It weights on their minds and it really is tough in a family when you know that next November that is it, and if you made it 12 months it would not do them any more good, it would just make the anxiety level worse.

On the other hand, if you want to save an industry, and we could have gone into another one called Pedlar in town, where for more than a 12-month period we have been trying to find other buyers, we have been trying to keep the industry alive. We have gone through a whole series of meetings with all of the groups that are around allocating money and giving approvals to plant transactions and all of that. Maybe it makes some sense for a notice provision on that, but you have to pick some priorities and I think these people from the labour side of the coin here this

afternoon have made their priorities clear. It is simple. It is not easy to do, but the priorities are necessary.

If you ask me what my priority would be, I guess it would be what Bill Rudyk says: give us some severance; give us some portability; give us some chance to relocate and not waste a lifetime of work in one plant. Give them some hope that if they pick up in another plant or another place tomorrow or next week or a month from now that they have not wasted 27 years, that they have got something to show for that.

When you talk to guys out of Houdaille or any of the other plants, it is pretty tough to explain how a company could come into our town, pick up a local industry like Houdaille, run it for a couple of years at a profit, and then say, "We do not want to run it any more, we cannot afford to keep this place in business." Then two weeks after the place closes down they go out and spend a couple of billion in the States. I am telling you there is no good way to explain that in this world and you have got to come up with some effort on that.

I want to make one final pitch and I know this is a tough one to do. I want to make a pitch for some retroactivity in this. It strikes me that there is a tragedy involved in all of this if the people who caused this committee to get set up in no way benefit from your deliberations. I know it is going to be difficult to say that you go back to those 500 people out of floudaille who got nothing, and out of the 200 who participated in the occupation of the plant by no means did all of those people benefit a great deal by the increased severance pay that was negotiated.

Somehow I want the committee to at least look at doing something for the people who caught your attention in the first place. The tragedy would be, in these nine plants in my area that have closed down now, if you say as of January 1, 1981, we will put in severance pay, we will put in portability, none of those people who brought the problem to your attention will benefit one iota from it.

So I make a plea to you, a tough one, one that is not going to be easy to deal with, that there is an identifiable group of people, we found them in hearings downstairs about the Firestone closing in June, we were able to identify there for the members of that committee who was the most direly affected by that closure, and we could find from all of the plant closures around the province, I am sure, there will be groups of people-young workers, skilled workers--whom you can relocate and retrain and replace in another job situation. That is good.

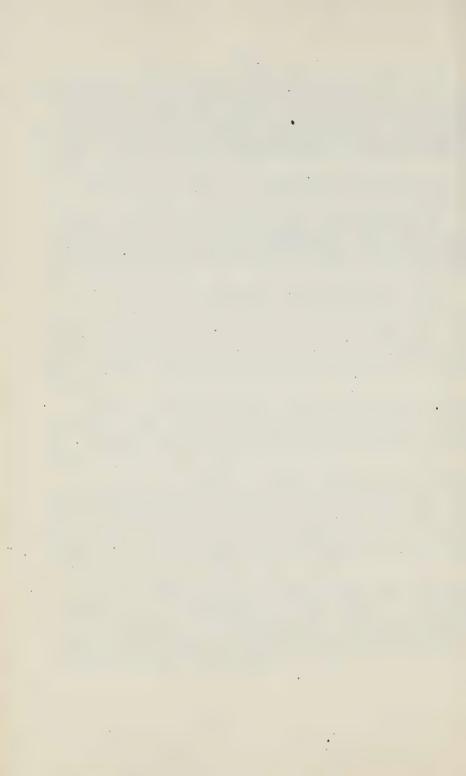
There are some who are close enough to retirement that you could move the retirement period ahead and solve their problems for them. There is a band of the work force in there for which you could do very little, and I am going to make a pitch to you to try in your deliberations to do something of a retroactive nature, because it would strike me that it would be a tragedy that those people who first brought the problem to your attention would get no benefit from your recommendations.

You have a tough job ahead of you; you have some sorting of priorities; you have a lot of things on your plate. I think we have been able to identify the so-called shopping list of what you might do. My last plea to you is to make sure that when you complete your recommendations you remember those people who first brought to your attention the tragedy that human beings face, that municipalities face, in this whole deal about plant closures and layoffs and shutdowns.

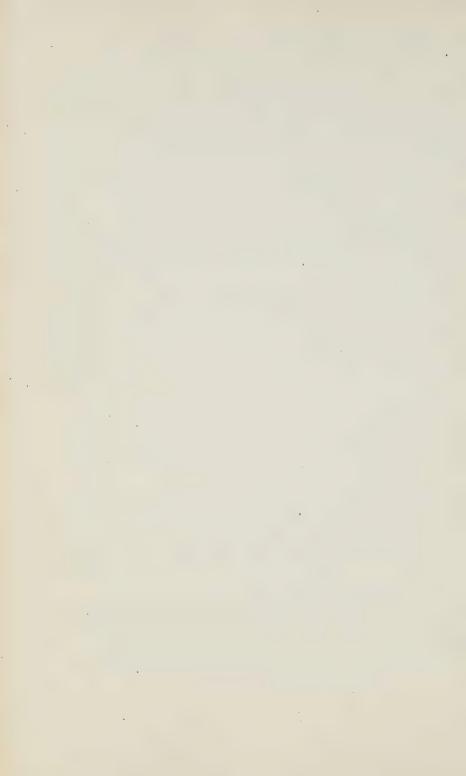
I want to thank you very much for having the opportunity to bring some of the people from my community before you this afternoon.

Mr. Chairman: That was a very useful afternoon and I want to thank all of you for helping us with our report here. Our report will be finalized February 6 and we will make certain that you see a copy of it and, Mike, maybe you will have a chance to come back too. Mr. Cureatz can raise some of those points again as we proceed along.

The committee adjourned at 4:28 p.m.











CAZON XC Z -80538

PS-7 & 8 (1981)

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION PUBLIC POLICY PROPOSALS

TUESDAY, JANUARY 13, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Clerk: White, G.

Researchers: Eichmanis, J. Jennings, R.F.

Witnesses:

Morning sitting: From Amalgamated Clothing and Textile Workers Union: Clark, C., Canadian Co-Director, Textile Division Herman, J.A., Canadian Research Director

Afternoon sitting:
Jecchinis, C., Professor, Department of Economics,
Lakehead University

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, JANUARY 13, 1981

The committee met at 10:21 a.m. in room 228.

AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION

Mr. Chairman: I call the meeting to order. The next witness, as you can see from your timetable, is Mr. Bud Clark and some of his colleagues from their union. This is your second visit and we appreciate your coming back again. I understand that you have a brief. You have been here before and you know we are in your hands, as they say. Just carry on and speak to the brief and there will be ample time for questioning.

Mr. Clark: Thank you, Mr. Chairman. Let me start off by wishing everybody a happy new year. It has been a little while since I saw you gentlemen. Let me congratulate you on the first little bit of legislation that you got at least acknowledged in the House. That is a start towards the path where I hope we are going.

You have all got the brief. I am not going to read the whole brief because there are parts of it that are just skirting on this committee's mandate as I see it, but we certainly will answer any questions on it. I will explain as I go along why I am omitting certain parts of it.

Last fall we had the opportunity of presenting a brief to this committee regarding the Armstrong Cork plant closure in Lindsay. I thank the committee for this opportunity to expand on our concerns regarding plant shutdowns. Before going into actual specific recommendations and the reasons for them, it is appropriate that I comment on the interim report of this committee which was tabled in the Legislative Assembly by Mr. McCaffrey.

The committee should be congratulated on the direction which it is taking and I trust that, while no recommendations were made in the interim report, a serious effort will be made by this committee to have substantial and beneficial changes made to the laws of Ontario before an anticipated spring election. The problems faced by working people during this period of economic uncertainty demand prompt and decisive action.

As well as addressing the questions posed in chapter five of the committee's interim report, I feel it is essential that Ontario's legislation be changed regarding receiverships. Therefore, part of this brief will deal with the question of receiverships. I will begin this presentation by giving you a general impression of the present state of the clothing and textile industry in Ontario.

Some of you gentlemen may know that our union, which was formerly known as the Textile Workers Union of Amercia, merged four years ago with the Amalgamated Clothing Workers Union, and henceforth is now the Amalgamated Clothing and Textile Workers Union. So it is broken into two sections and we have two divisions within that union.

10.20 a.m.:

In the clothing industry in Ontario, it is rare to find layoffs of only part of the work force in a given plant. It is traditional in this sector that workers either share or rotate the loss of hours rather than suffer layoffs. This type of system, while offering a stabler form of job security, leaves much to be desired in the form of income security. Many workers in the industry cannot maintain a proper family budget or plan for any stable standard of living. This can create problems in a family's economy and bill paying.

An example of this problem is the Arrow Shirt Company in Kitchener. Our figures show that over the last couple of years this plant has enjoyed operating at near capacity production. In the last year or so, however, the situation has changed and hours have been cut back. Workers have had an average of 35 hours per week during that period. That means one pay may be for a 40-hour week, while the next one is for only 30 hours. It is easy to see the potential disruption in the social and economic lives of families who depend on incomes from this industry.

The attached list demonstrates that there have been a number of layoffs in the clothing industry in the Toronto area during the six-month period from November 1979 through April 1980. It should be noted that many of these layoffs occurred when a company relocates within Ontario, leaving workers in a plant without jobs but still not changing the overall employment figures for the province substantially.

Although specific layoff legislation in Ontario will not do much to help the industry directly, an improved economy would do much to give the consumer both the income and the confidence needed to stabilize the clothing sector. In addition, the part of this brief dealing with access to Ontario markets includes recommendations which would go a long way in helping manufacturers of clothing towards capacity utilization in Ontario.

Perhaps the situation in Ontario can best be demonstrated by referring to the Ontario government's own figures. From July 1978 to June 1978, 5,265,790 hours were worked in the men's and boys' clothing industry in this province; yet from July 1979 to June 1980, 4,440,363 hours were worked, representing a loss of 825,427 hours and the economic and social problems associated with this loss.

I will skip the next example because it just shows the membership we had and the membership we have got in the Toronto area and go to page five on the textiles.

Unlike the clothing industry, an unfavourable economic climate often means layoffs and shutdowns for textile companies and their workers. In 1980 alone, five plants represented by the textile division of our union were closed down. In addition, there

were layoffs. This represents the loss of nearly 1,000 jobs for workers in Ontario who were ACTWU members.

The problem is accelerated when we realize that all of these plants and layoffs are in towns where there is little diversification of industry. Over half of these lost jobs are in the high unemployment area of eastern Ontario. Many of these workers have gone from being productive workers in their communities to the unconscionably high list of unemployed. Three of the five plants which closed had no private pension benefits for laid-off workers who might otherwise have elected for early retirement. We list the plants in Collingwood, Cornwall, Guelph, Lindsay and Belleville as the plants we are talking about.

The costs of unemployment: The first group of questions to be dealt with in your preliminary report asks, "How should the costs of a plant shutdown be distributed?" It is our contention that when a company operates in a community, deriving benefits from that community, for example, labour, services and profits, the company has a responsibility to both the workers in its plant and to the community as a whole. In other words, companies have a responsibility for the loss of jobs and should pay for the consequences of those lost jobs.

Where it is not possible for the company to pay, as in the case of a bankruptcy, government must take responsibility for workers whose loss of jobs is through no fault of their own. Government programs already in place, such as unemployment insurance, are not solving the problems at this time. These problems include partial loss of income, the possible loss of the family home and inability to make loan payments.

Loss of income not only affects the workers and their families but also the community as a whole. The municipal tax base is very restricted and the extra burden of unemployment cannot be put on individual communities. Therefore, it is necessary for both the federal and provincial governments to aid in the event of layoffs and plant closures.

This aid must cover more than just financial help. Retraining, job search and other support are often necessary for workers and their families.

The questions asked by this committee do not address other costs attached to layoffs and unemployment in general. These are social costs. Studies in both Canada and the United States indicate that the socioeconomic costs of unemployment go far beyond the immediate increased tax burden for unemployment insurance and welfare benefits.

The Social Planning Council of Metropolitan Toronto has given a synopsis of a paper done for the United States joint economic congressional committee, called, A Study Estimating Social Costs of National Economic Policy; Implications for Mental and Physical Health and Physical Aggression, by Dr. Harvey Brenner. The social planning council's synopsis is as follows:

"This study investigated the long-term impact on society of

changes in income, prices and employment. Economists can easily assess the impact of monetary and fiscal policies on incomes, employment and prices but not their social impacts. This study evaluated the sensitivity relationship between changes in the rates of inflation, real income and unemployment to seven indices or social indicators: total mortality, homicide, suicide, cardiovascular-renal disease mortality, cirrhosis of the liver mortality, total state imprisonment and state mental hospital admissions. The period of study was 1940 to 1975.

"The results revealed that all seven indicators are statistically related to the three national economic variables, but that unemployment shows the strongest statistical correlation. A one per cent rise in unemployment was related to a 4.1 per cent rise in suicides and a 4.3 per cent rise in admissions to mental institutions. A 1.4 per cent increase in unemployment was statistically related to 51,570 total deaths, including 1,740 additional homicides, 1,540 additional suicides and 5,520 additional mental hospitalizations.

"The study for the congressional committee notes that while the human tragedy alone is shocking, when monetary values are attached the issue becomes more startling. A 1.4 per cent rise in unemployment during 1970 cost nearly \$7 billion over the 1970 to 1975 period for jobless and welfare benefits plus the institutional care, and a total of \$21 billion is estimated to be the economic cost of unemployment in the United States. The study suggests that these costs raise the issue of whether it would be less costly to embark upon a vigorous job expansion policy."

A study by the long-range planning and policy analysis branch of the Ministry of Health and Welfare in Ottawa shows parallel high correlations between increased unemployment and poorer mental health, suicides and increased costs of increased unemployment, like like UIC and welfare payments, cannot be measured in dollars and cents. They are open-ended, far-reaching and span a number of years.

It is clear that while immediate help for those laid off is essential, the only real and lasting solution is a full employment policy so that every person in Ontario has the opportunity to work and earn a living.

Page nine is headed, A Case of Receivership. I would be pleased if this committee would look at it, but I am not sure that you have the power to get into it.

Ontario legislation pertaining to receiverships is grossly inadequate for the protection of employees. The provincial government has the responsibility for much of the suffering caused to workers as a result of failure to protect employees' rights under the law. The case of Textile Industries Limited and the treatment of employees gives a vivid and graphic example of the human suffering that can result when receivers are sent in to run a company.

Then we go on to explain what happened at Textile Industries Limited, and it is a case in itself. The president of the local

came over today simply because he is out of a job. He thinks that nothing will help him, but somebody has got to do something about this business of plants going into receivership.

If you will go to page 12, starting at the second paragraph, I will try to explain what we are asking to be done. The previous two pages simply deal with what happened: The company was sold to another company and then resold, and it is one hell of a mess. People ended up with pay cheques bouncing and everything else.

10:30 a.m.

It is our position that workers in Ontario should be guaranteed the fruits of their labour. It is the wages of working people that go into the economy to purchase goods and services. The government of this province must act immediately to ensure that wages come first. Our economy suffers, our working people suffer and the families of working people suffer.

For the aforementioned reasons, the Amalgamated Clothing and Textile Workers Union demand, on behalf of all workers in Ontario, the following legislative changes: That section 14 of the Employment Standards Act be amended to give priority to wages over all other creditors without exception; that section 15 of the Employment Standards Act be amended to ensure that the vacation pay trust is given clear and undisputed priority over all other creditors; that the Corporations Act be amended to ensure that workers receive their salaries immediately under all circumstances without the necessity of taking legal action.

A central lost wages fund could pay workers immediately and leave the responsibility of collecting these wages from the employer up to that government agency.

The brief deals next with new legislation and the effect on business investments. The chairman of the Swedish counterpart to the Canadian Manufacturers' Association told a group of Ontario MPPs several years ago that the industry in Sweden was willing to put up with tighter restrictions and lower profits in order to gain the long-term benefits of a stable market. He felt that by aiding companies to get fast, high profits, North American governments were being foolish.

Companies locate anywhere in in order to make a profit. If the rules for making that profit are laid out, there is ample evidence around the world that companies will continue to invest. The standard political excuse that to maintain economic chaos is in order to please business is ridiculous at best and could possibly be termed dishonest.

A government has the responsibility to govern on behalf of all the people within its jurisdiction. Business, on the other hand, will operate wherever there is a market. Ontario has the added advantage of energy, raw materials and a work force. If there are laws that favour the people of Ontario, the only change will be that the people of Ontario will benefit.

Dr. Robert Elgie, the Ontario Minister of Labour,

stated--see appendix 4--"I believe that the present termination provisions of the Employment Standards Act, which were the model for other jurisdictions when they were introduced, continue to be fair and realistic." The "present termination provisions," which Dr. Elgie is so proud of, were put into effect in January 1971 and they are certainly not the model for other jurisdictions in 1980. In fact, the government of Ontario should look at other jurisdictions to find humane ways of updating our antiquated laws.

On pages 15 and 16 we simply go on to show what other countries are doing. I think we gave those examples when we presented the Armstrong Cork brief. On page 16 we wind up by saying that most of the countries listed above have an unemployment rate far less than that of Ontario, and we believe that substantial layoff notice, justification for layoffss and meaningful severance benefits must become law in the province of Ontario.

From page 17 right through to page 20, we are talking about protection for Canadian industries and that protection for Canadian industries primarily comes under federal government control. We argue that the federal government has the power to allow imports and put tariffs on goods. At the same time the government of Ontario should be aware of what is going on in the federal ball park so that they do not get caught in the squeeze play and end out in the ditch.

I say this without any regrets: We are quite happy with the way the latest round of the GATT negotiations came through. The GATT negotiations brought down what they call an eight-year formula, wherein we will have eight years in order to level up certain discrepancies in tariffs and in duties that are put on goods coming into this country.

For the clothing and textile industry, which had already taken the brunt in years past through the Kennedy round of negotiations, we came out of this one virtually the same way we went in. There may be some changes--

Mr. Martel: Nothing has changed, Remo.

Mr. Clark: I was just going to say there may be some changes in levels or in products, but virtually the industry should remain fairly stable over the next seven or eight years. That is important for our industry.

Mr. Martel: You jumped the gun too quickly on that, Remo.

Mr. Mancini: You guys could have done a better job--

 $\underline{\text{Mr. Martel}}$: (Inaudible). He's wrestling inflation to the ground.

Mr. Clark: I speak only for my union. Some other unions are very unhappy about what happened regarding textiles at the GATT negotiations.

Mr. Martel: (Inaudible).

 $\frac{Mr}{side}$ Clark: I am sure those boys will be in here telling their side of the story.

Don't forget, gentlemen, we had lost 250,000 jobs in this country before this round of negotiations came in. I suspect even the cold-hearted boys at the GATT negotiations felt that was enough for any one industry to suffer for a little while. So they gave us a breathing spell. They haven't given us a moratorium on life yet; they have just given us a breathing spell.

Because the negotiations go on, this is a never-ending thing. You settle up this time--in Geneva they settled--and that lasts for eight years. In six years we will be back before another tribunal. Again we will put the fate of the industry on the block. Depending on the wealth of the nation at that time, the strength of the nation will depend on whether we survive or whether we lose some more thousands of members. It is not a very enviable position to be in, but being a nation that trades, it is one that must be worked out; and they do what they do.

I will leave the federal part of it. If anybody wants to get into it later, I would be glad to discuss it with him in all of its ramifications, not just from my own viewpoint.

On page 21: In conclusion, I would like to point to research done by Dr. Robert Kahn into the effects of unemployment on people for the Institute for Social Research in Michigan. Kahn states: "Studies of unemployment tend to be launched when rates of unemployment are high, and the results of such studies over a period of almost half a century show a familiar pattern... For people who are forced out of work for extended periods or prevented from getting it in the first place, the damage of unemployment is very great. It is ironic that these obvious facts should have to be so often rediscovered; that they must perhaps reflect the societal reluctance to recognize and correct them rather than any ambiguity in the facts themselves."

Let us hope this committee and the Ontario Legislature does not have reluctance in recognizing the problems and that you have the courage to correct them. The responsibility is yours, gentlemen.

Last night I was rereading this brief. If you would turn to appendices eight and nine--and I happen to come out of a textile mill and I know what those people go through--these two letters were sent into our union when there were some hearings going on at Textile Industries about the way that plant was foreclosed. I would like to read them. I think whether it is a foreclosure or whether it is a plant closing down, the end result is the same.

Appendix 8: Joan Hamilton, 14 1/2 years employed at Textile Industries, Guelph-- By the way, the English in these letters is typical of the grade of education that is prevalent in the textile and clothing industry. They are mainly poorly-educated, unskilled people, but they are what represents this province; in the vast amount of working people out there who work in the shops and the

mills, you will find this letter typical of the way they express themselves.

She writes: "I went during holidays to pick up pay after a phone call from my foreman to do so. Pay was for one week of \$171. The cheque bounced. When I went back to work following Tuesday"--she means the following Tuesday--"I found out it went into receivership. There was then an agreement that we would receive a percentage of wages owed added to each pay to cover the bounced cheque. I worked till the end of September with no layoff notice. Still owing me was approximately \$100. We have cut back on certain foods, clothing and recreation. Husband's income sufficient for basic necessities only. It's the second time around. Husband worked for 22 years at Leland Electric plant and it moved out of town, but still in Ontario. Now, husband has only four years' seniority at his job. I am a 47-year-old woman with grade eight education."

Appendix 9 is from Caroline Yanchus, 40 years of age. "I worked five and a half years at Textile Industries, Guelph. I returned after the holidays thinking I would receive one week waiting pay, but did not. We received our pay on Wednesday. I cashed it on the Friday and it bounced. We did not know the receivership had taken over at this plant. The cheque came out of our account.

10:40 a.m.

"We went back to work and, after working four days and no pay, the receivership company promised to pay us every two weeks from the time they took over. They paid us one eighth of our money owing. I got \$42.03 every pay for the two weeks; \$316 was owing me and now it is down to \$175 approximately.

"I have three children in high school, all very big and healthy, and have had to cut back on groceries. Our oldest is in grade 13 and wants to attend university next year, and part of my pay was for savings.

"I pool my pay with my husband to pay all expenses. Last week I had to refuse a job because of no bus service. We cannot afford a car."

I think, gentlemen, those two letters probably sum up the position of this union when legislation is left in the hands of rather disreputable gentlemen and the people who work for them have to be the ones who suffer as a result of weak legislation. In that case, in order to try to keep the company afloat, an arrangement was made that the receivership company would pay the workers so much every two weeks after the cheques had bounced originally. That lasted for a period of about four weeks and they were finally shut down and their last cheques finally bounced.

What happens to the people now? They were told by legal counsel that in order to recoup their pay, recoup the money that they had worked for, they have got to go into either small claims court or into court and sue the company--the company that has gone into receivership--to get the money that they had punched the

clock for. I just think that is bloody disgraceful.

I can be a creditor with a company and I know that as a creditor I must wait my turn if a company goes under. That is part of my business risk but, by Jesus, if I am a worker for a company and I have toiled for that company for eight hours a day, 40 hours a week, comes the end of the week I want my pay and I do not want to go into any bloody court to get it. I think that is just wrong. That is a very sinful thing we have got in this province and it is one that should be addressed.

As I say, I am probably talking to the wrong group, but you are all members of various parties and I wish you would take that case up when it comes time to discuss receivership changes. It is disgraceful to think that workers would take a cheque to the bank and have it bounce on them and then be faced with the misery of trying to live by taking their own company, that has gone broke, into court. Working people just have not got the time or the money or the wherewithal to take employers to court to get back what never should have been taken from them in the first place.

Now I guess I am open to the wolves.

Mr. Williams: Mr. Clark, for a point of clarification if I might, on page two of your brief in the last sentence you say: "It should be noted that many of these layoffs occurred when a company relocates in Ontario, leaving workers in a plant without jobs but still not changing the overall employment figures for the province substantially."

You cited as examples, on page five, five particular ACTWU plants that were shut down in Ontario. How many of those plants, if any, were relocated in Ontario or were they completely shut down?

Mr. Clark: No, none. Peters Carpets relocated in Quebec. It was a mistake. Peters Carpets did relocate but they went back to their parent company in the province of Quebec. The other ones, Virchem in Cornwall--no, they have pretty well all gone. Textile Industries went from one company to another, simply by name change, receivership-type of thing. They now have gone since that.

We have a company right now going through the thing that we just illustrated. Amoco Fabrics in Ontario is moving from one town to another, from Hawkesbury to Cornwall.

Mr. Williams: Let us use that as an example then. In that situation, when were the employees notified of the relocation of the plant?

Mr. Clark: The companies do not do it that way when they relocate as a rule. They generally just go and start a new business in another town and do two things: take their skilled people with them to the new town and hire new people.

Let us take Trenton and Belleville as an example. When a company moves from Trenton, they would simply take their top echelon people and their skilled help down to Belleville and hire

new people in Belleville. They would not take all the people from the work force. They would end up with the same number, but there would be 40 laid off in Trenton and 40 hired in Belleville. So you would end up with the same employment figure in the province of Ontario.

Mr. Williams: The reason I was trying to determine what had happened at those particular plants and the reason I cite the Amoco case is that they were operations where the union represents the employees of those particular businesses. Have you had personal knowledge as to whether or not the company had in those instances offered all the employees an opportunity to relocate?

Mr. Clark: Not as a rule, no, because of the nature of our industry.

Let me give you a classic example. Bell Thread was located in the city of Hamilton for a dog's age. They were there for years and years. Because of being in a certain industrial location in Hamilton, they were finding it tougher and tougher to meet their taxes and tougher and tougher to get people coming down into that section as workers, because the industry hires 75 to 85 per cent females. They moved from Hamilton to a little town called Arthur, in the Mount Forest-Arthur area. They took with them their mechanics, the trained, skilled dye-house people, and simply hired a whole new work force in Arthur of almost 300 people.

It takes very little to train people to be machine operators in the textile industry. For a dyer, it takes quite some years. Mechanics are rare. You would really have to fight to find mechanics today, so they generally make them attractive offers to go with them, but as a work force, no. People cannot just move. If a firm has 75 per cent females in the city of Hamilton, for example, a good share of their husbands would be working at Stelco or Dofasco or some such job as that. They are not going to give up the big paying job to go to the small paying job.

Mr. Williams: The nature of the industries your union would represent is such that it is the skilled workers who are the ones they would normally notify and ask them to relocate with them for the purpose of keeping the continuity of their operation. You say a lot of the unskilled workers are females.

Mr. Clark: And young people.

Mr. Williams: And only one of the two in the family who is at business and perhaps not the primary breadwinner in the family.

Mr. Clark: It is true of that picture, but industry is changing. With the security of the GATT negotiations, the synthetic part of our industry is completely the reverse of that. The synthetic part of our industry is all high technological machinery, all high-speed computerized machinery. They are hiring more and more young men who will end up being the main income earners. For example, in Fiberglas in Guelph, I think it is about 80 per cent male and their starting rate is \$7.25 or \$7.50. That is an example of what is happening in the industry.

Celanese in Quebec is almost the same. The profit is in the new technology for synthetics and, because of the high degree of skill, the company can pay more to attract young people who will stay with the industry.

Mr. Williams: On page three, I wonder if you would clarify the last sentence. You give some statistics as to the number of work hours from 1978 to 1979. I want to be clear as to whether that reduced number of hours, the 825,000 hours, were totally related to plant shutdowns and layoffs, or did they also relate in some cases to strike situations?

Mr. Clark: There has not been a major strike in the clothing industry for the last five years that would effect this kind of picture. We just cannot afford a strike. The clothing industry, more drastically than the textile industry, is the catch-as-catch-can part of the industry. There just has not been a major strike.

10:50 a.m.

The clothing industry goes on three-year cycles, and they just settle their contract for the next three years without even a hint of a strike. It is too tough a business. You really have to be a kamikaze pilot to go into a strike in the clothing industry today.

Mr. Williams: I just wanted then to be clear as to what you can relate those lost man hours to.

Mr. Clark: Mainly to imports and plant shutdowns, work cutbacks.

Mr. Williams: You have identified two factors, plant shutdowns and imports. Is there any breakout on that figure as to whether the preponderance of lost man hours is related to imports taking away the increased production? I guess they are correlated really.

Mr. Clark: Yes. They both go hand in glove with ours.

The only figures that would be in there that I could not account for, of course, would be sickness and things; but those same factors would be in the above figures anyway, so it would not change it that much.

The clothing industry has taken a real shellacking. It is levelling off again now, but they have taken a real shellacking over the past half dozen years.

Mr. Williams: Coming over to page six, the last sentence in the first paragraph: "Companies have a responsibility for the loss of jobs and should pay for the consequences of those lost jobs."

Can you identify more clearly to what extent you feel those companies should be responsible for those lost jobs?

 $\underline{\text{Mr. Clark:}}\ \ I\ \ \text{don't}\ \ \text{know}\ \ \text{whether}\ \ \text{you}\ \ \text{were here when we}$ were here for the Armstrong carpet presentation.

Mr. Williams: No.

Mr. Clark: Let me tell you my views on it, sir, and I say it with a lot of respect and conviction. Armstrong Cork is a very profitable financial institution in North America, and they operated in Lindsay for about 15 years, making fantastic profits. When the building boom was on and the thing was going down the chute, they were reaping it in pretty good. There is no denial about that from the company, and our workers shared in that boom time.

Then came the slackening off, and Armstrong came to the point where their profits--and they were making profits--dipped down to about four per cent, three and a half, four per cent, four and a half per cent. They just blatantly said, "That is not enough for us," and they closed their mill. I think the concept of that is wrong. I think it is wrong that a corporation of any size can operate in a province or a country only when it is profitable and then hightail it out when things get a little rough. I think we are in trouble if that feeling goes through manufacturers.

My feeling is that Armstrong Cork should have been told they have to operate. I think there should have been some kind of a fine assessed on that company. There should have been some moneys held in an industrial bank by the province for companies operating within its borders. Then when they get these willy-nilly ideas about just closing up shop because 3.5 or 4.5 per cent profit is not enough and they decide to take their plants back to Pennsylvania or Illinois there would be a penalty imposed so that the people they leave behind don't have to pick up the pieces.

It is the same, if you like, when a married man splits from his family. Who the hell takes care of the family? Either you get the courts to hand down a judgement and you chase the old man and get so much a month out of him or the province takes care of the family. I think that is what we are stuck with. We have pretty close to 300 ex-employees in Lindsay, Ontario, with no chance in hell of getting a job there. There is no other industry there; it is nothingsville.

Mr. Williams: I think it is pretty well agreed there should be certain legal obligations to its employees for a company that has to shut down its operations. I think that can only be clearly defined by legislation, and I guess that is where the onus rests on us as legislators to determine what the extent of those legal obligations should be.

However, going beyond that—and I take your comments as covering a broader area—I guess it brings us to a philosophical argument. Say an entrepreneur—a small, large or intermediate—size company—by choice decides to come into the Ontario marketplace because he feels it can be beneficial to the improvement of the company's operations while providing employment and jobs. Realistically, do you think they would come into this province if there were laws or provisions that once you come, you cannot close

down--that you must operate whether you are making what you consider to be a reasonable profit, a marginal profit or even a loss?

I take those remarks, with respect, sir, from your comments. Maybe you did not mean to take it that far, but I do. I think you are being unrealistic with all due respect.

Mr. Clark: I take it fairly far. I am looking at it from what we have today. Hell, there is no penalty on a company to shut down today. They simply pick up the phone and notify the employees that we are through on Monday.

Mr. Williams: I do not use the term "penalty." I think there are, of course, certain minimum responsibilities that should apply against companies. Again it is our responsibility to determine what they are. If they are not already in place, what can be put into place that would improve the lot of the employees. But I think it is unrealistic to suggest that on a long-term basis any company coming into this jurisdiction must come on the understanding that while they come here as a matter of choice, they cannot leave as a matter of choice.

I don't think we can say that as a consequence of coming here, they have a societal obligation at law to stay and operate whether they are making money or losing money. I cannot accept that argument unless you want to go to the nationalization process. That also is getting philosophical, but that is what you are driving towards.

Mr. Clark: A company has to abide by certain legal requirements when it comes into this province to operate. They know all of the ramifications of what they have to abide by when they come in. I appreciate that we live in a free democratic society, but the name of the game is, "Can I operate in Ontario with their rules and still make a profit?" After he has weighed all the rules he says, "Yes, I can," and he comes in.

My opinion is that those rules should provide that he not only come in when the gravy is running good, but if he decides to opt out after the gravy train has stopped that there be something left behind.

There is the business of severance pay--and by the way, Armstrong Cork paid everything the law required in regard to severance pay, early retirement, the whole bit. They were not our worst culprit, but they are an example of what the end result is. That is, despite severance pay, despite early retirement commitments, despite everything else, we now have an empty building that used to employ 300 people and we do not have those jobs any more.

I do not give a damn whether the severance pay goes for three months, two months, five months or what have you, at the end of whatever period, somebody—the city of Lindsay first, the province of Ontario second and the federal government third—is going to have to pick up the tab for 300-odd people. Maybe it is not that many, but say 200 people who will not be able to get

employment anywhere around the Lindsay area. You should have been here and heard the city planning guy--I still forget his name--who talked about the impact of that plant's closing on the town facilities--he cited the waterworks as an example.

God knows how they are going to survive. They built up the waterworks to supply a high user of water; then the biggest user of water suddenly moves out of the city. What do you do with that equipment when you now only need one bay of it to service the town of Lindsay?

Mr. Martel: Pay for it.

Mr. Clark: The answers are obvious. So then the next question is how the hell do we make it a little more prohibitive, if you like. It is not impossible for them to shut down, but a little more prohibitive.

One of the ways would be to create something like an industrial bank where the corporations would have to pay into the bank. Then if they moved out, money from that bank could be used to assist in relocating another industry in the town, either with provincial help, federal help or what have you.

11 a.m.:

Mr. Williams: It is an interesting projection of the argument for insuring certain short-term rights and, I guess, long-term through pensions or severance pay or whatever. But I think perhaps we part company on the extent to which it should be carried or the onus that should rest on the particular company or corporation as to the obligations of government to prevent those things from happening. I guess that is an obligation that rests on us and we have to find the ways and means of minimizing the adverse impact of those things.

 $\frac{Mr.\ Martel:}{Ministry}$ Are you aware that about four years ago when the $\frac{Ministry}{Ministry}$ of Northern Affairs was created, we moved an amendment in the Legislature that would see a certain percentage of the revenues generated in tax set aside, almost like the Alberta or the Saskatchewan fund, and that it was voted down?

The difficulty is to get people to try to realize why I moved that particular amendment. It would not have been assessed against the corporation, but against the general tax levies. It was for a certain amount of the returns to be set aside against the inevitable Atikokans of northern Ontario, the one-industry towns, and no one would accept the concept. This is the difficulty.

The company can be setting a certain percentage of its returns on tax. We moved it deliberately with respect to the nonrenewable natural resource sector, but it is very difficult to get people to accept that concept.

Mr. Clark: I work in Calgary the odd time. We have a few plants out there. I have often admired the fact that that province, as a province--you may say what you like about how they are dealing with their oil--has seen fit to tuck away 25 cents a

barrel for every barrel of oil that comes out of the ground until they have what is famous around the world, the Alberta Heritage Fund.

They have recognized the fact, as we should, that everything will end some time. Whether it be the textile industry, the timber industry or whether it be the mines in our north, it will end some day; maybe not in our lifetime, but surely in our children's lifetime or their children's lifetime. So somebody should be preparing, and the only way you can prepare for anything is to have the funds available and not have to use the Band-Aid technique every time somebody slices his finger.

Somebody should be preparing to have moneys available to have another source of income other than the one we have at the present time. That is what the heritage fund is all about. Those people out there have taken a step for the people of Alberta that is the envy of a lot of governments, I suspect. They tax at the wellhead 25 cents a barrel, literally, to create a fund, so that when the oil stops coming, they will have the funds to be able to create another industry, maybe a microchip industry or what have you, such as is going on in California.

Mr. Williams: I just have a couple of questions more, Mr. Chairman. On page seven, you raise the question of social costs and endeavour to identify those social costs over and above the tangible monetary costs. You point out that studies in both Canada and the United States have indicated much broader adverse impacts on society.

I don't think anybody quarrels with that, although, because of the somewhat difficult cause-effect relationship, the ability really to pinpoint it, I would question the accuracy of the statistics that have been brought forward by the various bodies studying this subject. I am not questioning the fact that increased unemployment may and does contribute to an increase in some of these social problems, suicide, excess drinking, admissions to mental hospitals and so forth. Perhaps there is a contributing factor, but I question the precise percentage figures that are given.

Further on in your report you cite another jurisdiction as being, I gather, the ideal jurisdiction to compare to ours and suggest that in Sweden, because they have tighter laws with more stable markets, therefore these adverse social consequences of higher unemployment would not prevail.

I think it is interesting to note, and I would like to have your observations, that recent studies done in Sweden indicate that the highest suicide rate in the world exists in that country, and I believe there is a much higher incidence of alcoholism in that country than you will find in Canada. Yet, that particular example is often used as the ideal socialist solution to social problems in society and to the this whole matter of unemployment.

Mr. Clark: It is interesting that you take that approach. I have known for years that Sweden was always accused of having the highest levels. I understand that has levelled off.

Mr. Mackenzie: It is also not true.

Mr. Clark: Last night I read in a little newspaper --

Mr. Williams: Just a minute. You say it is not true?

Mr. Mackenzie: Yes. I would like you to bring the information that verifies it before this committee.

Mr. Williams: I would have brought it if I had known this was going to be used as an example, but before I do, give us the basis on which you say it is untrue.

Mr. Mackenzie: The United Nations disputed that two or three years ago when it was used widely and often by right-wingers like yourself.

Mr. Williams: I don't use three-year-old statistics; I am talking about current--

 ${\tt Mr.\ Cooke:}$ There is also a very good reason why the statistics--

Mr. Williams: You don't have to defend the fact.

Mr. Mackenzie: I would just like to get straight the dishonest statements that are made in this committee from time to time.

Mr. Williams: Any suggestion that we are being dishonest, Mr. Mackenzie--look at yourself in the mirror.

 $\underline{\text{Mr. Cooke}}\colon$ Why don't you throw the statistics out? Why don't you find out how they calculate their statistics compared to Ontario statistics?

Mr. Williams: You are not refuting the statistics, nor is the witness.

Mr. Cooke: I am refuting the point that --

Mr. Williams: Except for Mr. Mackenzie, who is suggesting that we are--

 $\underline{\text{Mr. Cooke}} \colon$ There are different ways. You can't compare apples and oranges, and that is what you are doing.

Mr. Mancini: There is a revelation.

Mr. Williams: How do you conclude that, apples and oranges? What are the apples and oranges?

 $\underline{\text{Mr. Cooke:}}$ Because they calculate their suicide rate much differently from ours. They include different types of deaths in suicides to those we do here in Ontario.

Mr. Williams: A suicide is a suicide.

Mr. Cooke: Not really.

Mr. Williams: Oh, not really? I see I have them squirming, so I must have touched a sensitive nerve.

I just wanted to hear your observations, if I might, rather than the interjections, including the suggestions by our friend from Hamilton that falsehoods are being put forward.

Mr. Mackenzie: (Inaudible) by the speaker from Oriole.

 $\frac{\text{Mr. Williams}}{\text{Is--}}$: Would you care to comment further? I think

Mr. Clark: I have often heard that comparison about Sweden. I don't think it has any relationship at all to what we are talking about. What we did in Hamilton--I will give away my age now--some 20 years ago; when Canadian Cottons and Hamilton Cottons closed down in Hamilton, causing upwards of 3,000 jobs to be lost right in the downtown core of Hamilton, on our own we did a study, and we did not have the funds or the wherewithal to do an in-depth actual study on what was happening.

Six months after the closure of Hamilton and Canadian Cottons, our union did a survey of 35 to 40 per cent of the employees who used to be our members, and it would scare the hell out of you; just the basic things we found would scare the hell out of you. You didn't have to go into any books to find out what was going on. These were members who had been in union halls month in, month out, when they were employees of the plant.

Two or three of four of them ended up in the institution at the top of the Hamilton mountain; some of the families broke up because of fights and domestic problems; children left home because of the struggles in the family; a couple of them ended up in jail. These were just what we found by going to see those who used to be our members.

You say how does that relate to what is happening in Sweden? I don't know what the hell is happening in Sweden; I know what happened in the city of Hamilton, and I know what we found out when we checked with our people.

11:10 a.m.

Unemployment is a very tricky thing. Some people seem to think that today the young people accept unemployment. I think that is just a crock; I think young people want the good things of this life the same as we do and, by Jesus, they are going to get them one way or the other. They are either going to get them by working--jobs have to be available--or they are going to get them through the drug and the criminal aspects of life.

They are not going to sit idly by as we did when we were kids, without toys and without shoes and without other things. The young people of today, through the medium of television, have seen what the good life can give them and, by God, they are going to take it.

We had better be on our toes. We had better provide for them through a nice sensible way of having them employed and having them give something to society or, in my opinion, they are going to take it, and I don't blame them a bit.

Mr. Martel: The rate of crime last year increased except for murder.

Mr. Clark: Certainly. I don't think you can pick any one isolated incident. It is regrettable, the two young lads who left Windsor over the holidays and went up through the north, stole some guns and then came down through Orillia and shot the police and the garage attendant. What the hell is that all about? If you take a look at the city of Windsor, my God, the despondency in that city is unbelievable.

Chrysler is on the news this morning. If they cannot make the deal with the UAW, even if they do make the deal with the UAW, may go under in this country.

Mr. Williams: Just in concluding, I think we all, without exception, have concern and recognize that increased unemployment can contribute to some of these adverse socioeconomic conditions. We are not arguing that point. I am just saying that I question the accuracy of what they tend to use on the statistical side in relating these suicides and other matters to the unemployment situation.

This is why I think the Swedish situation is relevant in a society where, let's say for hypothetical purposes, there is full employment, and yet you still have the social conditions prevailing that are actually worse than what we are experiencing here. That, I think, puts in doubt the accuracy of those figures that have been used in the US and Canadian studies as to just how accurate they are as far as the cause-effect relationship is concerned.

I am not minimizing the concern over it, I am just saying that the example you have given may be used to argue against the cause-effect relationship.

Mr. Martel: But we don't know.

Mr. Williams: No, I do not know. That is why I say I don't think you can pinpoint it as clearly as they have.

Mr. Martel: The US does. That is one of our problems. When the province closed its institution at Burwash, one of the workers went down in the basement and hanged himself. He went right down to the basement the day they announced it and hanged himself.

Mr. Williams: I am sure it can happen; it has happened in other cities. But there may have been other contributing factors.

I will endeavour to find those statistics, but I will serve you with this caveat, Mr. Chairman. When I bring them in I am sure

that, no matter what the statistics say, they will not be believed by Mr. Mackenzie.

Mr. G. Taylor: Mr. Chairman, might we avoid the statistical argument? I think we might recognize fully that there are problems that are caused by the loss of jobs, and that is the point of the brief. Detailing the statistics is not really of monumental concern at this time. Our concern is that there are problems caused by unemployment. Without bandying the statistics about, we know there are problems resulting from unemployment, and that is what we are here to look at.

Mr. Chairman: I think Mr. Williams stated that himself.

Mr. Mackenzie: I was interested in a number of things in your brief, Mr. Clark, but one of them, while it is not a direct responsibility of the province, that I think there is some agreement on is the whole question of bankruptcy and receivership and what happens to workers' wages.

I would be, myself, disappointed if there was not a very strong recommendation from this committee in that particular area, even if our recommendation is just to beef up what already has been done, if the information from the Minister of Labour is accurate; that is, that strong representations be made that, without qualification, workers' wages or labour costs be a first priority in a bankruptcy.

The minister seems to have indicated in statements in the House and in talks I have had with him that clearly he is already taking that position with the federal government to move in terms of changes.

I am wondering if that does not get to the very point you were talking about a number of times; namely, the basic question in this province in terms of dealing with people as to what has priority, the rights of labour or the rights of capital.

 $\frac{Mr.\ Clark:}{L}$ We did not read the whole textile industry case because I think it is there. It is the machinery that goes into effect when a company says it cannot make it any longer.

We found out through some legal questioning that the part about the wages can be a provincial matter. There can be legislation brought in that the wage question of workers can come into play quite prominently before any other creditors come in.

Mr. Mackenzie: I need a little additional information. I do not want to stop your line of thought on this because the effect usually has been that we have no say in it and we have got to convince the federal authorities to make a change. If there is some way we can move provincially, we sure as blazes should.

 $\frac{Mr.\ Herman:}{under}$ In the vast majority of cases, receivership comes under provincial jurisdiction and not federal. The recommendations we have made at the end of a receivership situation are recommendations for changes in provincial legislation.

Mr. Clark: We are going into this in great depth. We have had some companies go into receivership before, but wages were always paid. Things were always worked out ahead of time. This company probably brought to a head for us the bloody ignorance of this section of the act that says they can actually have cheques bounce and then tell workers if they want their money, they have to go before the courts and get in line with the rest of the creditors.

Mr. G. Taylor: Are you not confusing receivership with an outright bankruptcy? Receivership is a settlement process where opportunities are put forward and things negotiated, whereas a bankruptcy is throwing up your arms and everybody walks away. In that situation, the workers are left without wages entirely, and that is the federal part. Also, when somebody goes into receivership, the guidelines of a receivership proposal are under the federal act. If the receivership is not accepted and worked out, then you still follow the route of bankruptcy.

Have you any contrary legal opinions that puts the province in the position where it can legislate and insert itself in a receivership process that is really being conducted under the bankruptcy federal law? This is new to me. We have always come to the conclusion that the federal jurisdiction has to address itself to that situation. My own opinion, like Bob Mackenzie's, is that workers' wages should come ahead of everything else, secured creditors or any type of creditor.

 $\underline{\text{Mr. Herman}}\colon \text{Our lawyer, with whom I} \ \text{did most of the research on this, used to work for the Department of Labour, so I assume he is fairly knowledgeable.}$

Mr. G. Taylor: If it is not a personal relationship between your lawyer and your union, could you provide us with that information?

Mr. Herman: Sure. The legal part of this receivership thing has come with legal advice. There is no problem there. What we have asked for here are changes to the Employment Standards Act and the Corporations Act, both of which I believe are provincial acts.

We realize that in the case of Textile Industries, once it went into bankruptcy, there was nothing the provincial government could do. But the workers' wages that were lost were not due to bankruptcy but as a direct result of the company going into receivership. That is when they lost their wages. With a lot of legal wrangling, tangled wires and so on, we managed to get the lost vacation pay, because the law says that, but there should be no need for them to go to court to get that. That should be a matter of "Here is your money."

Because they went into bankruptcy, they will not get the wages. If they had not gone into bankruptcy, the Ontario law could state that their wages came before the bank that ordered the receivership.

Mr. Clark: That is where the dividing line is. We understand that.

Mr. Mackenzie: It certainly has to be one of the directions because it is an area that is of increasing concern. I have been fighting for three or four months to get \$36,000 in wages for 26 or 27 truck drivers at Enzo Haulage. As far as I am concerned, they only went into receivership.

The tragedy of that is that not only have they never received their money to this day, but the company in receivership has been able to pick all of the equipment from the receivers—1 do not know how the hell they have done it—and are back in business doing exactly the same operation, although they are still under a receivership order, as they were doing five or six months ago. It is the same company and the same operation, only with new employees at lesser wages in every case, but they still owe \$36,000 to the truck drivers involved.

We seem to have a situation where the capital costs or the investment money is the factor, but the workers who have put the labour into a situation are the last ones. I think they come about fifth in the order of priorities in a bankruptcy.

Mr. Clark: Probably less than that. We will give that information to the committee. That will be in some time this week.

Mr. Martel: In that respect the province does not even protect. If it is giving contracts, for example, as the Minister of Natural Resources did this past summer, if somebody goes under, the employees of the corporation there do not receive protection, even though the contract was awarded by the province of Ontario. In this case, it is about 135 students, one of whom I am trying to get funds for because he gave up his unemployment insurance to earn money to go back to school. The company went into bankruptcy and the province withheld some of the funds, but this young lad's \$1,300 has gone down the tube, and that was money to go back to school.

To try to get the province even to move in contracts which it itself gives out, there is no protection. It is a difficult task. They do not want to move in on the area that they are responsible for and giving contracts for.

Mr. Clark: Let me tell you that you are talking to a guy who knows how difficult it is. We had a hosiery plant in Hamilton that went under. The company not only had taken the vacation credits that the employees were supposed to have had put away in a bank somewhere, but they took their cafeteria money and their union dues. They just took everything for a period of some three or four months prior to declaring bankruptcy.

We started legal proceedings to get the dues. We did not know about the vacation thing until they came down the chute. When they declared bankruptcy, when you say workers are about fifth in the line for their pay, I think it is around eighth or ninth. It is unbelievable how little those people got out of that company.

Every act in Ontario that I am aware of states about the vacation pay that must be put aside. It cannot be touched for any other purpose but to pay a vacation. Yet when a company uses it to keep its business going through the final death throes, there is no penalty on the company. Some of those guys should have been thrown in jail. If a crook did what some of those companies do to workers, he would be down in Kingston for eight to 10 years.

Mr. Mackenzie: Even a lawyer with his client's funds, although he probably would not get eight or 10 years.

Interjections.

Mr. Mackenzie: Mr. Clark, we have had some criticism of the emphasis that some of us have put on plant moves and shutdowns of branch plants, and where we have firms moving out of the country altogether. While you have had a number of those, I notice that you made a point of moves even within Ontario. So your position is clear that the protection should be there for workers, whether it is an international corporation or whether it is a branch plant that is going out of the country altogether or whether it is just the switches that are causing people's jobs within the province of Ontario.

Mr. Clark: What good did it do to the people in Hamilton for Bell Thread to open in Arthur? Sure, 200 and some odd jobs were obtained in Arthur, but 200 and some odd jobs are vacant in Hamilton. No, it does not help the people, no matter how it is done.

Mr. Mackenzie: I find it a little dishonest and I am just wondering at your own reaction to it, that the companies will take great pains--it is not only in the textile industry, although I know it happens there--to move the handful of skilled trades people with them when they make a move like that, but express no responsibility whatsoever for the balance of the employees, simply on the basis that they are unskilled: "You are no good to us. We can hire your kind anywhere." But they will go out of their way and sometimes make special provisions for the moving expenses of skilled trades people.

Mr. Clark: It goes even deeper than that. As I said, the Bell Thread company had been in our union for some 20 years, paying good wages and good benefits for our industry. They got one of those nonreturnable loans from the provincial government to move into Arthur because it was a distressed zone.

Mr. Martel: They were called forgiveness loans.

Mr. Clark: Forgiveness loans. They made an issue, when they moved to Arthur, that there would be no union.

That is another reason why they do not take people with them. They just do not want to bring with them the wages and benefits they left behind in the shop they are vacating. Most of the skilled people are either on salary or have been told that there is a future with the company, so they do not necessarily get actively involved in the labour movement.

The worker down on the floor is never given a chance because they know that as soon as they are in the new operation, they will be talking about how it used to be back in Hamilton and then they will be calling a union representative to get organized.

So it goes deeper than just wages. Let us assume that at that time the company paid \$1.50 an hour in Hamilton; when this company moved to Arthur, they paid \$1. I am exaggerating a bit but it was substantially less than what they paid in Hamilton.

Mr. Mackenzie: Do you know of any cases in any of the moves of the companies you people have represented where the skilled trades workers or supervisory people have received assistance in moving?

Mr. Clark: Yes.

Mr. Mackenzie: So you are not breaking new ground?

Mr. Clark: No.

Mr. Mackenzie: It is an established fact.

Mr. Clark: Companies look after their own. They move people not only interprovincially, but West Mills Carpet moved people from Meaford, Ontario, to Calgary, Alberta, lock, stock and barrel. They paid their moving and their rent for a year. They wanted key people in Alberta and they did not care what the cost was.

Mr. Mackenzie: The cost did not matter if they had some skill that was of use to that company. They would pay it, including relocation expenses or moving expenses or you name it.

Mr. O'Neil: Were these salaried employees that they moved?

Mr. Clark: No. At West Mills Carpet, these were the skilled people, the mechanics and what have you. Because of the labour shortage in Alberta they were not risking anything, they took their people.

Mr. O'Neil: So there was nothing in the union contract. It was just a case of taking them and paying for them because they needed them.

 $\underline{\text{Mr. Clark:}}$ Yes. They made them an offer and the boys took it. They went out there.

Mr. Mackenzie: You made a point of the Alberta Heritage Fund and the tax per barrel of oil produced. That is not a new concept.

I have raised the fact a number of times in this committee that they have a taxing system in Sweden that allows for increased taxes in good times in the industrial sector. That money is put into a fund that is used for relocation, adjustment, expansion or problems that arise out of contraction.

Do you see the value of a recommendation that would call for, whether it be a tax or community adjustment fund or what have you, but some kind of an assessment against industry generally that allowed for the setting aside of moneys for tough times or for adjustments that have to be made if it is necessary to close a plant?

Mr. Clark: I think it either has to come that way or we are going to pay it out of our pockets. When I say "we," I mean the people of Ontario. Somebody has to foot the bill for this welfare tab that is coming up.

If industry gets into an excess profits arrangement, they find loopholes so they can siphon off some of their money and do not pay the excess profit tax. What the hell would be wrong with reinvesting in the country by taking some of that good times money when the gravy train is running? What would be wrong with taking some of those funds and putting them into an industrial bank? When things are not going well, government, industry and people could share and keep an industry going under this kind of concept.

I am no statistician. I could not even begin to tell you how this could be brought about, but I think the idea is feasible.

Look at the Massey Ferguson plant in Brantford. Half my family live in Brantford, for cripes' sake. Who ever thought the day would come in Canada when the Massey Ferguson Company, the giant, would be down on its knees looking for what it is looking for, begging the government for money to help bail it out of debt? I wish every time I got into debt I could run to the federal or provincial government and ask for a few bucks, but they do.

Nothing was put aside. Nothing was earmarked for future problems of that corporation. As a result my nephews and brothers in the city of Brantford were out of work for two or three months in the fall. It was wonderful that they knew, or they could guess, that at the end of the three months they were going back to work.

I went there for the wedding when one of my nephews got married. I was talking to them about how they looked at their job future and they said, "It will be all right." Nobody can conceive that Massey Ferguson will not pull out of this thing.

11:40 a.m.:

I have seen some giants go down in my lifetime in the textile industry and I suspect we will see more and more as these companies leave and go offshore to where they can get things done cheaper. I just could not conceive that the company had the gall to go to the government and ask for money to bail them out of something they should have seen ahead of time coming 10 years down the road.

Mr. Ramsay: I do not think you are suggesting the government should not help Massey Ferguson stay solvent so that those jobs can be saved?

Mr. Clark: It is not a question of helping them stay

solvent. I have read a little bit about the financial difficulty Massey Ferguson finds itself in. What they are looking for is some money to help pay some of the bills they have not been able to collect in some cases. They are also looking for some money to help them out of some financial production problems they themselves got into.

It is like the automobile industry. I think the government has to help them. But it seems crazy to me just to hand them the \$150 million without some strings on it to get some of it back later on.

Mr. Ramsay: Maybe I can rephrase the question. Forget about Massey Ferguson for a moment. What are your thoughts when a company like Chrysler or Massey Ferguson or White, or whatever the case may be, gets into trouble and there are all sorts of jobs at stake and there is all the ripple effect down the line when these people are let go, or whatever the case may be, and these plants close? I am sure you are not advocating that they just be let go their way and close.

Mr. Clark: No, I am saying that if we help--what is help? Help means that you jump in and actively assist in getting the company back on its feet again. But in return for that, there should be a commitment that once that company is on its feet, some of that money is poured back into the provincial treasury if it comes out of provincial money. This giving it away is just crazy in my opinion.

Mr. Ramsay: I see, okay.

 $\underline{\text{Mr. Mackenzie:}}$ I think this is fairly important, at least to me it is important in terms of the direction of our economy in Ontario.

You talked about the shellacking you people have taken over the years. To a large extent, until the recent round of GATT negotiations, that was because of problems the clothing industry was in with imports, was it not? I think it was that and the fact that the protection had been reduced eight years earlier. As a result you paid the price for years in your industry.

Mr. Clark: That's right.

Mr. Mackenzie: I am wondering if you see an importance in terms of a policy that rewards or pushes for or requires--I am not sure of the exact words I want--self-sufficiency in industry here in this country. I am not saying by that we are not going to import. There are some areas where we are obviously going to have to, but I'm thinking in terms of where a Canadian content is required to keep that industry alive.

I say that because probably the most successful industry has been in my own town--basic steel. If basic steel has done anything--and I am talking about all the steel companies--even at the expense, in the last couple of years, of some additional higher profit export orders they could have met, they have gone out of their way to protect and supply the Canadian market. They

are not all my best friends, but I know a number of the top officials who tell me that one of the things that has kept the steel industry in the forefront in Ontario is that they have gone to great pains to protect the Canadian market.

As a general policy in Ontario, do you see value in one that stresses self-sufficiency in Canadian or Ontario content?

Mr. Clark: That is a real poser. Take the textile industry-

Mr. Mackenzie: I know they do not have the same pressures in basic steel as you had from low wages--

Mr. Clark: That is right and that is very important. If you do not start off from the same starting point, really the race is not the same.

We have argued for years--and I think honestly; sure, we have a self-interest, what the heck; they are our members' jobs--that if this province or country leaves itself open to the exporters of the world and does away with our industry and simply turns it over to the importers, what we argued about 15 years ago is coming true today. I do not have to tell any of you gentlemen or the ladies or anybody else that if you went through the Christmas shopping shemozzle that we just went through you were bloody hard pressed to find goods that were not imported that did not cost more than what a Canadian garment did. If you wanted a quality garment and you wanted a quality product, you paid at least as much as what a Canadian thing did and probably more.

We can compete in this country if we are given whatever percentage of the market they would give us. If they want to give us 55 or 60 per cent of the Canadian market, then our manufacturers can supply that market fully, competitively and everything else. It is the indecision that hurts our industry.

Mr. Mackenzie: You need to know what percentage you have.

Mr. Clark: They have to know. We just got the word on the GATT negotiations. What employer today is going to put out, for example, a new Switzer loom from Germany that costs \$275,000 landed in the city of Hamilton? What employer is going to invest in 10 of those, thinking that he might be out of business in three years' time? He is just not going to do it.

Armstrong carpet company comes to mind with regard to a new automatic tufted machine with a computerized pattern programmer which costs about \$1.25 million. Sure, once you put it in, you can run it by the mile, but Canadians do not buy carpet by the mile. They have to run it by the yards, change the pattern and run a few more yards, change the pattern and run a few more. So the cost, because of the makeup of Canada, is really terrifically high.

In the United States, for example, we have mills where they will start out on a rug such as is on this floor and they will run that rug for three months straight--because of the buying market in the United States. In Canada if they ran that rug for three

days they would be over-supplying Canada. They would have it in the warehouse for weeks and months.

So you have two things: in order to be a competitive industry you have to have a guaranteed market. Once you get the guaranteed market, then the boys who have the money are willing to invest. They know if they invest that eight years down the road they are going to recoup that money plus the profits that go with it.

As far as technology goes, there is not any technology in the world any more that is sacred or restricted to one country—in any industry, steel or what have you. As soon as somebody comes up with a new idea, within months the other countries have adopted something similar or damned close to it. So technology is no problem. Help is no problem. What is the problem is the guarantee of the market and the guarantee of the investment dollar. That relatively has been settled in Geneva last year.

The major part of our mills right now--or right up until the auto industry took a nosedive--were going all out. We were okay--let us rest for a little bit. Then the automobile industry took the nosedive. For cripes' sake, our industry puts a third of the stuff that goes into an automobile--the head linings, the dashboard, the seat covers, the seatbelts, the cord in the tires. That all comes from our industry. So we took a shellacking on that end.

In the main we are fairly stable. In order to stay stable we have to have governments, both provincial and federal, that say we have to have some import.

Mr. Mackenzie: So you have no difficulty, in short, with the idea of some self-sufficiency right to the point of legislation that says there is a requirement that a certain part of our needs are going to be met by Canadian manufacturers.

Mr. Clark: Right; they have to be met.

Mr. Mackenzie: The last question I wanted to ask you: I gather from your remarks you also have no argument with justification being required for a major plant shutdown because of the cost to the community. In other words, it is not a unilateral decision made by one corporation because their profits have dropped?

Mr. Clark: No argument at all. Whether it be a closure or a receivership, what the hell right has a company to do that to an industry or to a town or to workers without somebody having the right to check the validity of it? Any one of us, if we get into trouble, are called to account and I do not think industry should be exempt from that any more than we are.

Mr. O'Neil: Mr. Mackenzie has asked quite a few of the questions I was going to ask, but I had one dealing with the moving business. Have you anything specifically you could give this committee as to what you feel should be done on this

business, where they relocate within the province, that you would like to see happen?

11:40 a.m.

Mr. Clark: The only specific I have is the general thought that the industries that are allowed to operate in this province have somehow got to be made to pay for their decision making, whether it be that they have to kick into an industrial bank or have to pay a penalty clause for moving. It is all well and good to say their decision is for the good of the company, and it probably is good for the company, but their decision is very hard on the towns, the cities and the provincial government.

How do you do it? Do you say, "We will tax every company a cent an hour for every hour worked and we will put that in a central fund, and when a company moves out, that fund could be used to assist the town of Lindsay," for example? That would be one way of doing it I would think.

Another way would be to put a penalty on the specific company, but when they move, the legalities get so tangled up that by the time you could tap into any of that money, the town may very well go under. I do not think that would be the best route to take unless it was done in advance. If a company decided to go, the money would have to put aside in advance. But that means tying up money, which a company is not likely to want to do. They like to get the interest from it, and that makes sense.

The only thing I can come up with is to have some kind of industrial fund, if you want to call it that, like the Alberta Heritage Fund. Every company that operates in this province would pay into that fund, either a percentage of their payroll or a percentage of their profits, and that fund would be used to administer and ease the burden on communities and workers when a company goes under.

Other than that, as I said earlier, I am in favour of every one of the things you talk about, such as increased severance pay and so on. It is like arguing with myself. But I know that six months down the road when that severance pay is gone and all the pension things are gone, hell, the guy is still out of work, the town is still out of revenue and the province is out taxes. So we end up with the same problem. Maybe we have postponed it for five months, but we end up with the same problem eventually. Somebody has unemployed people to look after.

Mr. O'Neil: I was interested in your comments that it does not really solve the unemployment problem when they move within the province. In the hearings before Christmas we were talking about not having proper records on the unemployed from some of the smaller plants. Have you any suggestions on how some of this reporting should be done so that the Ministry of Labour or the Ministry of Industry and Tourism would have better records on those who have been put out of work?

Mr. Clark: To be very honest with you, I don't know. The system we have now should take care of it; I suppose it is fairly

lax. I pointed out the last time that I find it incredible that a man who is laid off at the Armstrong carpet plant, somehow, suddenly, through some relative, found a job in Sarnia, which has an 18 per cent unemployment factor. It just boggles the mind that a man should cross this province and a guy who was in Sarnia could not get that job.

Mr. O'Neil: I noticed when you were giving your brief you mentioned moving between Belleville and Trenton. Do you cover any of the plants in the Belleville-Trenton area?

Mr. Clark: Yes, quite a few.

Mr. O'Neil: Which ones do you cover there?

Mr. Clark: Vagden Mills, we used to have Peters Carpets, we had Campbellford Cloth. Let me see what else we have in that neck of the woods.

Mr. O'Neil: Do you have Bayside Finishing?

Mr. Clark: Yes.

Mr. G. Taylor: What about Caldwell?

Mr. Clark: No, that is in the United Textile Workers. That is in Iroquois.

We have a smattering of plants in the Belleville-Trenton area. We are looking at another one that is coming in there fairly soon, I hope.

Mr. O'Neil: I would be interested, as a member from that area, if you could let me know what plants you do cover in case we ever have any problems or correspondence, so I can get back to you.

Mr. Chairman: Mr. Clark, there are just a couple of things I neglected to mention earlier. Rick Jennings, who is on the staff of the committee, mentioned to me that there is a federal committee now, an all-party task force, I think, that is studying bankruptcy and related things. I don't know if you are aware of that and whether it would be worth while to make a submission to them at some point. I just leave that with you.

Mr. Clark: All right. I appreciate it.

Mr. Chairman: Mr. Martel is next on the list, but I wanted to just make two general observations and ask one question, if I might. I am very impressed, as I was the first time you were here, with the quality of your ideas and the very commonsense approach that you reflect.

The first time you were here one thing stuck out in my mind very clearly in response to a comment that someone made. It had a political overtone, as I recall. You said that this sort of thing does not get us anywhere. We are, and you made a circle with your hand, already in this all together now, we the community, we the community, we the community, we the government.

You were talking specifically about the 300 people in Lindsay, but when they are out of work, they are out of work, and a variety of people, through a variety of taxes, pay the costs that imposes on the community and on the province. I think that is a fact, and you made the point extremely well. There already is a shared responsibility involving the half dozen players--governments, workers, employers and so forth.

Sticking with that train of thought, when we talk about justification for closure--Mr. Mackenzie just asked you a question--you accepted the wisdom of that, if least, because we the workers or we the government should have the right to check that they really have to close up. That seems very reasonable to me.

What we are going to have some difficulty is with this other aspect of it that sometimes comes up; that if the government passes legislation that would mean we would have the right to check, that sometimes we are going to scare away investment. You have probably heard that before, and it may be conceived by some people to be just a red herring. I don't know the answer to that, and that is what bothers me.

I would like to use the Armstrong example. My recollection of the numbers that we had here after Mr. Jordin came down with the 10-year profit and loss for the Lindsay division, and I don't want to go back over that argument, but it seemed to me that a reasonable guy would say: "Jesus, 10 years, and you lost money for nine. It would be hard to justify why you should continue in operation with that Lindsay plant." So far, is that a fair statement of mine?

Mr. Clark: I suppose it is a fair statement based on the evidence that was put on the table, sure.

Mr. Chairman: Then someone might very well say in a situation like that, "Yes, but the parent company made \$60 million," or whatever the number was. "They should be called upon to take some of that profit made in other jurisdictions or at other plants and funnel it back in to keep that plant going," for the very real social community and other reasons that we have talked about.

If there was such legislation, I wonder whether another US company, which might be thinking of opening a plant or expanding an existing plant here in Ontario or in Canada, would say, "Hell, they have legislation up there now that says even if we are losing in that particular division, but the parent company continues to make a profit for other reasons in other parts of the operation, that we would have to funnel some of those profits back in, and therefore we will not go ahead and either open the plant in Canada or expand the existing plant."

That seems to me to be a possible risk. Do you think I am overdoing that? Do you think there is anything to the other side of the argument?

Mr. Clark: No, I think that is a valid argument. But on

the other hand here is our problem, as I would see it, in answer to that. As Canadians--forgetting provincial boundaries for a second or two--somewhere down the line we have to decide somehow if we are going to be at the whim of every multinational company that exists around the world.

I have a common thing with me that everybody looks--and it is nothing against the Americans--to the United States. That is getting to be as untrue as a lot of things in the past were. Who is investing in Canada today? It is Japan, Iran, countries that we have no kind of common bond with. We don't even speak the language, we have no cultural likenesses with them. Pakistani money is coming into this country by the million.

If we let ourselves get to the position that these guys come in, and we need them, but if we let them come in and run their business for five, six, seven years, whatever the period might be, and have no control about them going out, then I submit we are really are going down a very dangerous road.

11:50 a.m.

At one time the owners of the firms in Canada were basically Canadian or English: the British colony concept brought a lot of English money into this country. Then it switched to American. In our industry it is about 70 per cent now. But every new plant that is opening up now that I look at, it scares me when I see it is from Iran, from the oil money in Saudi Arabia, from Japan; from countries that we have nothing in common with. In their opinion they are straight out-and-out businessmen. They have no affinity with this country or with its growth; it is just a money-making venture.

Herb Gray is today talking with the Japanese automobile people. Why? Because we got scared all of a sudden that the Japanese outdid us and produced more cars than North America did. It was always our backyard, but it is not our backyard any more, and isn't going to be, in my opinion, for one hell of a long time down the road.

If that is the position we are letting ourselves slide into, then I think—and I understand your concern about it—it is time we started to say what terms they come in under and what terms they go out under. I submit to you, with all honesty, I think they will still come. These guys who invest that kind of money don't have any worries about the rules as long as the profit is there for them to make. They will pay the price. They must laugh at Canadian governments today for allowing them to just willy—nilly make decisions that affect communities and countries and people the way that they do.

At one time there was--what the hell was the word they used to use; I am getting so old I forget--a kind of "corporate responsibility." The owner of the industry lived in that community and he kind of felt a responsibility for the employees who were working in his shop or his mill.

But that is no more. Those days went when I was just cutting

my teeth in the labour movement. We are owned now by either the Duponts of Delaware or the Celanese people of the United States or British Chemical Industries. When you are talking to the management people here, they are under the direct control of the owners over there. They don't talk your language any more, they talk profit and loss, never mind the community.

I say fine, I can grow up, too, but if I have to grow up, then I have to say that somebody has to be responsible for the community and for the lifestyle that we accept as being our right. Who is that somebody? It means legislation to penalize these companies. I don't think legislation will frighten the honest people away who can make money.

There are countries who take over industries with a gun, but industry still goes there. I don't like to point to any nation because other nations have ways of doing things, but in South America it is not uncommon for an industry to disappear under the national government or the government of the day and be held up for ransom. And they pay because they want the products from that industry:

In South Africa, with bauxite and what have you that comes out of there, they don't care what the regulations of the country are: "Pay. We want the bauxite." I think that principle holds true--maybe to a lesser degree in a society such as ours, but I think the basic principle is there--"What are the rules of the game, boys?" and, "Can I make some money?" "Yes." "Okay, we will come in."

 $\underline{\text{Mr. Chairman:}}$ Thanks. I wanted to get your response to that. I appreciate your answer.

Mr. Martel: In the first part of your brief you talk about sharing the poverty in your industry; in other words, you distribute the work around and there is less take home pay to the individual.

Mr. Clark: In the clothing industry, yes.

Mr. Martel: That is happening. We recommended that with Inco, just to try and get a consensus, although some of us weren't happy with it because sharing the poverty is not the solution to the problem.

Mr. Clark: It is a difficult one. We do it in the textile industry as well. It is not unknown. If the company comes to us and says, "Listen, we are going to reduce by 20 per cent for at least three months," we try to get the rest of the people to share that concept, to share the poverty for three months. But if you start talking about a long-term sharing of poverty you are kidding yourself, you are dragging everybody down. You are just dragging everybody down. It does not work.

Mr. Martel: Last Tuesday we had the association of pension managers before us. I notice three of the plants you mentioned in your brief had no pensions whatsoever. There was an indication from them that part of the problem was that, (a) the

union did not know what they were negotiating in terms of pensions, and (b) I think it is safe to say that frequently it was not tough enough in its negotiations. What is your response to that sort of observation made by people who in fact manage pensions?

Mr. Clark: Let me tell you I am speaking only for my industry. We have a hell of a decision to make at a bargaining table. Other than plants such as I mentioned, Fiberglas and Celanese, the synthetic divisions, and we have pension plans in all of those plants, trying to wrestle with the employees about earnings versus pensions is impossible. They need money. There is no money for pensions; there is not enough in wages.

Take a look, for example, at appendix 8. She takes home a week's pay of \$171. If that was a single or divorced woman, or somebody who is relying on that as an income, and there are hundreds of thousands of them out there, we just have no choice. We have to tuck 80 per cent of any benefits we get from a company into direct wages; we need it to live on. The other 20 per cent they put into health benefits--dental plans and what have you-because that saves any big bill coming down the chute and hitting them over the head.

Pensions in our union are, in the main, a dream that is not going to be realized by a hell of a lot of workers; except for, as I mentioned, in the synthetics; in the synthetics we get pensions.

Mr. G. Taylor: I have just one supplementary. Synthetics, though, are plastics products that are based on oil, and in this jurisdiction they are looking upon that benefit to stay here. Therefore you can therefore negotiate for higher ones, whereas when you are in the nonsynthetic products you have the heavy offshore competition.

Is that a conclusion you come to, that you cannot bring them up to the synthetics?

Mr. Clark: We can export our synthetics. The price, the profit and the availability of the oil and petrol from Alberta is such that we can export synthetic yarn. We are barely staying alive in the cotton and wool, the natural fibres.

There are two basic arguments. When you go to the bargaining table with a company such as Fiberglas, you are dealing with an industry that is an ongoing profitable industry; it is part of twentieth century living. When you go to negotiate with an employer who is making a two, three or four per cent profit margin, you nudge him too far and he goes out of business and you lose the whole bundle. So you get what you can get in wages and you live for another year.

Mr. Martel: I was surprised to learn that in many of these pension schemes for the young employee in lieu of higher wages, many of the pension plans do not consider him until he has reached a certain age. In other words, they are not matching, despite the fact that it is supposed to be in lieu of wages. Were you aware that that happens, that the company does not, perhaps,

even consider the amount contributed for the first five, six, seven or even 10 years?

Mr. Clark: Yes, I am very well aware of it; sure. Again it is money. If they have not got the money to start it, it is like a poker game. If you cannot get enough guys to ante up the pot, you can't start the game. Our low profit, low margin companies would be wild to have pension plans, except that it means putting up some money to get the thing rolling, because the turnover is so great the company would keep their share of the investment.

Mr. Martel: That is what I am leading to. Should the company not be forced to transfer to some sort of pool whatever their share is and the employee's share, whether the employee worked four years or 10, so that that would be carried with him wherever he went? That seems to me the only workable solution.

12 noon:

Mr. Clark: As I say, I have a lot of friends and family in the United States. Their social security program over the years has made more and more sense as I get older. No matter where you work in the United States, you pay into the social security, the company pays into the social security and that is it.

For instance, when the government first brought in its compulsory pension program, we had dozens and hundreds of workers quit the job on Friday in order to get their share of the pension money out, if you can imagine anything so irresponsible and suicidal. They would quit the job on Friday, despite six or seven years of seniority, and get rehired on Monday simply to collect the money. I am talking about the original start of the federal pension plan that locked in money after 10 years' service kind of thing.

Look at 85 per cent of the women. None of the young girls in our industry, when you talk to them, ever think they are going to be there, like Mary or Nellie, 20 years down the road. They dream they are going to get out of this rat trap, but 20 years later they are still there and 20 years later the problems are still there. But when they are 18, 19 and 22 years of age, they do not dream about being stuck in that industry for that length of time.

When the government announced that if you had 10 years of service and you were over a certain age, your money was going to be locked in. I could not believe what happened in our industry. They just quit in droves. They got their moneys and came back to work for the company. They were not interested in pensions and longevity; they wanted their money. They did not trust governments. They did not trust companies. They needed their cash.

Regretfully so; I am embarrassingly honest about it. I cried with some people: "Are you crazy? Leave it in. It is like investment in Canadian bonds." I could not get them to go the route. I have now just been put on the pension committee of our union. One of the arguments that we are trying to use is that same

argument, "Look, if you work for a living, put so much aside for your old age."

I do not care where you work. Whether you work in plant A, plant B or plant C, the company should put aside so much and you should put aside so much. You should get a pass book as in an ordinary bank. You should carry that to your next employer, give it to him and he should start building up in it. You should carry that through your lifetime. Then when you reach 60 or 65, your bank book tells what you have deposited for your future. I think until we get to that, we are just kidding ourselves.

Mr. Martel: I want to go back to Mr. Ramsay's point. When we talk about the companies like the White Motor Corporation or Massey Ferguson, I think you would probably be in agreement that if you are going to bail out White you should have an equity, not necessarily in perpetuity, but an equity that sees the company paying you dividends over the short haul with the right to purchase back or pay off that debt it has to the province.

What bothers me is the straight giveaway, whether it be to Chrysler or anyone. I see us having to prevent companies from going down the tube, but I am not intrigued just by guarantees because when one looks at what is going to happen with Chrysler maybe today in Canada the guarantees that we thought we extracted from them are not worth a hill of beans. If you have equity and a vote with flexibility to sell back-I am thinking of Heintzman, a company that, in my opinion, with only 100 employees should not go down the tube because there is a market--then that sort of legislation is possible rather than just the straight giveaway.

Mr. Clark: A bank would not give money away.

Mr. Martel: Governments do it all the time. We are very generous with taxpayers' money.

Mr. Clark: I have seen and read of banks that have bankrolled a company that was belly up already. It is a question of going the extra \$25,000 or \$25 million, whatever it might be, in order to hopefully get at least 50 cents back out of their dollar.

I do not think anybody should give money to anybody as a straight gift. To me that would mean to any manufacturer, you would give the licence to fail. What happens if he fails? He comes and gets the money from you.

Mr. Ramsay: Let me jump in for just a moment. I am trying to get straight in my own mind what is cheaper, keeping a company solvent or paying the welfare costs after the fact. That is the basic background of my question.

Mr. Martel: I think you and I are in agreement. What we would have to find out, and I think what we have to recommend, is that governments have to start to define the social costs to make that determination whether to proceed to bankroll.

Let's say we decide to bankroll for a while. The options are

there. You can bankroll with equity and with the right to sell, with the company having the first right to repurchase that percentage of whatever the company might need, depending on the size of the assistance you give.

My only objection is simply to giving money, and that includes to the pulp and paper industry.

Mr. Chairman: I do not think there is very much difference of opinion on this. Mr. Clark's point was not to give money without some strings attached was. I think that was his basic thesis. There is no quarrel with that.

The only thing I get very concerned about is this preoccupation--I say it with respect--with equity. It is not the only way to get a string attached. I think there are probably a great many better ways.

Equity implies ownership which, at some time, means you are going to sell it to someone else who will sell it back to the company. You are getting into a whole, new screwy kind of a game that governments, in my view, are not good at. which is to decide when to sell it back.

Mr. Martel: I suspect governments outside Canada are fairly good at it.

Mr. Chairman: Not necessarily.

Mr. Martel: I suspect governments in Europe, or particularly Japan, which is tied in heavily--

Mr. Chairman: We talked earlier about apples and oranges. You go to Sweden when it is convenient to go to Sweden; you go to Japan when it is convenient to go to Japan. We are talking about Canada.

Mr. Martel: We are talking about changing the ground rules.

Mr. Chairman: We are talking about getting some strings attached to government loan guarantees. That does not only imply equity ownership.

 $\underline{\mathsf{Mr. O'Neil}}\colon \mathsf{Some}$ of these governments are having a lot of problems right now too.

 $\frac{Mr.\ Martel:}{any\ strings.}$ The ultimate aim is to have jobs. To tie yourself to one particular policy is dangerous.

Mr. Chairman: Right, so get off the equity.

 $\underline{\text{Mr. Martel:}}$ No. I am just saying it is one of the options. I am not saying that in every case.

 $\underline{\text{Mr. G. Taylor}}\colon$ But we have to acknowledge that of the many plans, both provincially and federally, they all have some of

the ingredients that you mentioned. Not all are equity, not all are giveaways, not all are loans; it is a combination. They have been experimenting.

But I agree with the chairman. You always raise the sceptre of equity. I go back to Mr. Clark's example. Just as the company had problems, the banks went to its aid, because the bank was interested in it, not the government.

Mr. Martel: I am prepared to look at them all. I am not sure you are prepared to look at equity, though, as one of the solutions; I am not saying the panacea.

Mr. G. Taylor: But they have gone that route. If you look at Syncrude, that was an equity situation. If you look at the paper mills, that is not equity; that's a loan with some strings attached. If we look at some others, they are straight giveaways. They are experimenting with all of them. I am sure each one of those would not meet everybody's situation or every complication.

Mr. Ramsay: Not to prolong this, but I do not see the relationship with the pulp and paper industry to what we are talking about this morning. That was an incentive to get them to modernize and improve their facilities so they could remain competitive. I do not see any comparison or relationship.

 ${\tt Mr.\ Martel:}$ You are laying out taxpayers' money, that's the comparison.

Mr. Clark: I like this gentlemen's comment here. I think that is what you gentlemen have to come to grips with. Are we going to let a company go under which will bring on a cost which nobody knows in social benefits and welfare benefits? Or are you going to come to grips with some kind of an assistance program that helps them through this problem they are in?

My only answer to that—and I think that is what the problem is—is, yes, but we don't give them anything in the sense of giving. If there is a loan, if there is some financial assistance, we make sure that the people of this province get that returned to them.

Everybody is watching Doug Fraser from the UAW sitting in as a board chairman for Chrysler. That is above me. I do not know what impact that will have on the decision-making of the mighty board of Chrysler. I just do not think that his input will be affecting the decision-making of the guys who run industry as they have run it for the last 100 years. I think it is a step that we are all going to watch carefully and we are all going to see if there is any merit in it.

12:10 p.m.

Our union has gone co-op with three companies over its lifespan. Unfortunately, all three failed. That does not mean to say it is wrong. It just was not the right time or the right set of circumstances.

But any measure of recouping the money we are talking about using to bail them out has to be investigated. I do not think companies should just be given the right to come and say, "We need help."

This morning's news says that the UAW--and that was news to me--is talking this way: If they give up their contractual benefits for the next two years, they are asking in return a share of the profits later on. That is something new for the UAW. But the circumstances may be so desperate that is the path they are taking. They may understand the situation much better than anybody at this table and realize: "What the hell; if we do get them into a profit picture, at least we'll get something back. If we put too many strings on, the deal is going to be denied and everybody goes down the tube."

In those situations, unless you really understand all the inplay that goes on for the negotiation of favours from the UAW, it is wise not to comment. But they did say this morning that is one of their things: If they give up the two years' benefits they have in the contract, they will demand in return a profit-sharing agreement later on if Chrysler gets itself into a profit picture. We must watch that one carefully.

Mr. G. Taylor: I would like to make a few prefatory remarks before I get down to my final question. This stems from your long background in a very peculiar business in Canada, which crosses provincial boundaries as well as international boundaries. You recognize the benefits that quotas or tariffs gave your business over the years. You have lived with those; you have seen their benefits and their disadvantages.

During a couple of days last week we heard experts on GATT and the talks that were going on. It seemed the tariff barriers of each type were being removed quickly. It is thought by certain economists in this country and elsewhere that is the best way for Canada and best for the world--that these tariff barriers be reduced.

I recognize the background those economists have and I recognize that some of the features are very good. There seems to be a hesitancy on our part--we say, "The auto pact is different." However, in spite of all their expert knowledge on the subject--which far exceeds the information I have--I get very nervous. I look upon your industry as one that, even though it is advanced, is slowly disappearing. One might come to the conclusion it is disappearing because we are not giving the protection, even for our own market. One says it is not an economically sound industry, and we can get rid of those tariffs because we don't need them.

The automobile industry is reaching that stage and moving into your old age, if you want to call it that, without some of these protections we are so quickly removing. I don't know whether your researchers are studying this but are we going in the wrong direction? Do we need to retain some of these tariffs? The answer given when we start removing the tariffs is that entrepreneurship is the only saving grace--the inventiveness, the innovation, of our business community, grabbing at the opportunity. Sometimes I

get nervous about that; they are not that opportunistic.

How does your business view this long range? Without raising the protectionist spectre all the time, can you say that maybe we are moving in the wrong direction in automobiles as well? Have you done any research?

Mr. Clark: I think we are. There is a price to pay for employment. I think we have to understand that. Whether you pay it in tariff protection and duties or in welfare and unemployment insurance benefits, there is always a price. So you start from the premise that if we do not have jobs there has to be a subsidy of some type.

What is wrong with tariffs? What is wrong with ensuring there will be a certain percentage of the market in any industry in this country protected? A fellow by the name of Jenkins, I think it was, out of Harvard came up with--they talk about the young kids on the corners smoking the weed, I think these guys get into the heavy stuff. One paragraph of his report says that if we did away with every textile- and clothing-related job in Canada, although it would affect some 200,000 people, it would be cheaper for the government of this country to put them on welfare than it would to maintain the tariff structures we have at our borders for goods coming in. Then it should retrain them--he had another little paragraph--to find other employment. Good God!

I got through grade school and one year of high school, but I think the guy is nuts if he says to do away with some 200,000 jobs in one industry, because it is cheaper to put them on welfare—he thinks it is cheaper—and to keep them on welfare until you can retrain them for some other employment. I am not saying that disrespectfully; I do not mean insane. I just think he has never really looked at what working people are about.

How can you talk about doing away with 250,000 jobs, to keep them on welfare, to train them for jobs, when we have got unemployment already of seven and a half or eight per cent? What the hell jobs is he talking about? If he is talking about some mythical dream jobs, then I would say let us reverse the order. Let us find 250,000 jobs that textile and clothing people could be retrained for and then we will start talking about releasing the barriers and the tariffs and what have you. Let us not throw them to the wolves first and then somehow magically they will find 250,000 jobs and in four years we will all come back to where we were but we will not have any duties.

That argument does not hold true. If we have to sell wheat and other things to other nations, then it is true we have to import. But Canada, God bless us, has the most imports of any country in the world. We allow more goods and more dollars into this country than any other trading country in the world.

Mr. O'Neil: Why is that? Can you give us reasons for that?

Mr. Clark: Because of our dealings. Do not get me wrong; I am not anti this or anti that, or going down the street waving

bloody flags or that kind of thing. It is because we think we have to make deals with every country that comes into being. Sri Lanka, the latest country that was created, pays 13 or 14 cents a day for their clothing industry people--

Mr. O'Neil: And we are importing from Sri Lanka?

Mr. Clark: We are importing from Sri Lanka, because our government in its wisdom felt that somebody should help that country get on its feet as another viable identity in this world.

Mr. O'Neil: What would we be importing from them?

Mr. Clark: Yarn, mostly yarn, straight yarn, spinning frames and weaving, cotton products. Egypt supplies the cotton--they are right close by--and Sri Lanka makes the cotton cloth, women's dress goods, that type of thing--but mostly yarn at present.

The whole west coast of Africa is nothing but small nations that were developed over the last 15 or 20 years. The first industry they started them on is textiles because it is labour-intensive. It uses a lot of people in the old way--not in the new technological way. That is what all these emerging countries want--something to give their people some jobs, no matter how little it is. As a result, their stuff starts flooding into the country and our industry goes down the chute.

Follow the automobile. My God, you are right, I am seeing the auto workers face what we faced 20 years ago. The automobile industry in Japan has developed itself to such a technical level that it now out-produces North America. Economists all over this world would have told you that day would never come. It is here.

12:20 p.m.

Mr. O'Neil: You talk about these imports that come into Canada. There are those who argue that by the time they are produced and shipped and everything else that really they are not that much better priced than the goods we are producing.

Mr. Clark: Are you talking automobiles now or textiles?

Mr. O'Neil: No, I am talking about the cloth that you mentioned.

Mr. Clark: Let's take a \$15 shirt. We quoted this in our brief: you can go into almost any store and buy an Arrow shirt for \$15. You can also go into Woolco and buy a shirt from any country in the world for \$6 or \$7--a good shirt, good material, good workmanship. The shirt they are selling for \$7 in K-Mart or Woolworth's probably costs \$1.95 to bring into this country--or less.

Mr. O'Neil: So even with all those charges they are still--

Mr. Clark: Listen. The labour costs over there are

disgraceful. If you were to say to yourself, as our government says, that part of the reason for allowing that country to put in is to put some money into the country to develop it, I would say amen; in some cases that would have some merit. But who gets the money really?

There was an article in the Globe and Mail a little while ago about importers fighting on the floor to buy import licences from these new countries. Why the hell are they fighting to buy the import licence? Because the profit on importing is so fantastic it is out of this world. The importers are the guys who neither create for the country nor contribute to the country. They get the licence to import, and that licence to import means to buy shirts at \$5 for a dozen and a half in one of these underdeveloped countries and put the shirts in K-Mart at \$6 and \$7 and \$8 and \$9, and now coming up, by the way. They are bleeding it for everything they can get.

That is why you will see Canadian-made sweaters on a rack in a Jack Fraser store selling for \$29.95 and right beside it a sweater that is identical in every way--fibre content, pattern design, the whole bit--selling for \$27.95. They pay our workers here four dollars and something an hour to make the sweater; they pay the workers over there 13 cents and 15 cents and 30 cents a day.

Sri Lanka is the worst offender; they are down to cents per day. Even if they paid them 50 cents an hour, in theory the sweater should cost you less than a quarter of what we sell it for, but you don't see that happening. They don't care about what it costs; it is what the market will bear. That is the sin of it. If the government would say the importer is restricted as to how much he can charge for that garment coming into this country so that the low-income people of Canada could buy clothes cheap, I would have to start changing my argument.

The argument of the government was if you allowed imports it would mean there would be clothes available for every level of income. The rich people could afford Lou Myles down on Yonge Street; the poorer people could afford the Woolco and the K-Mart stuff.

I would say that makes sense, but it doesn't work out that way. The goods are going higher and higher and higher. You start looking in Woolco in that men's--and I forget their name--they have got a fancy Italian label tag on it. Every one of those suits is imported. They sell for \$99.95; they are probably worth about \$35.

Mr. Ramsay: I just want to clarify. Your thoughts are refreshing, but because they are a little different than what we have been listening to we have to grab hold of them.

You are indicating you would not mind seeing cheap textiles come in, but would that not create an unfair competitive situation for the existing textile industries and create unemployment for your workers?

 $\underline{\text{Mr. Clark:}}$ No. It is a contradiction in terms. There are three basic buying levels of clothing in this country. There are the gentlemen, God bless them, who pay \$500 and \$600 and \$700 for their suits, and that is in the law firms--

Mr. Chairman: O'Neil.

Mr. Clark: Well, whoever. You could point them out. A couple around here pay around \$300.

Mr. O'Neil: I wear second-hand suits.

Mr. Clark: There are the guys like me who pay \$195 or \$225, and then there are the guys who want them for \$125. Neither will go down--the lawyers won't wear \$125 suits, it wouldn't matter what happened.

That same level goes through every segment of our industry. There are women, God bless them, who want to have an original, so they are prepared to pay \$700, \$800 or \$900 for an original. Six months later, that same dress will be on sale in Simpson's upper echelon shops for around \$400 and about a year later it will be on sale for around \$35 to \$69.

It applies to both the women and the guys; this is not a sexist thing. Who in this room worries whether he is wearing this year's lapel collars or not? Nobody. That is being forced on us.

Mr. Ramsay: Maybe Hugh.

Mr. Clark: What I am trying to do is give you a quick lesson in what is happening in our industry.

Mr. O'Neil: You notice all those comments are coming from the Tories.

Mr. Clark: Women know what is coming on the market. They already know what the styles are for this coming spring. I would not think very many men in this room have looked to see what the men's styles are going to be for spring, but I bet if you ask those two ladies sitting there, they will tell you what women's dresses are coming down the chute for this spring. That is the nature, that is the way the industry has done it.

So, no, it would not affect us that much.

Mr. Ramsay: Mr. Clark, I follow what you are saying, but it seems to me we have listened to other people here who have said that cheap goods coming in from Taiwan are putting people out of work here in Canada.

 $\frac{\text{Mr. Clark:}}{\text{Sure.}}$ Sure. We lost that business a long time back. This $\frac{1}{15}$ not new to us. We have been hacked at and pieced at for the last 25 years. The cheap underwear garment factories are long gone from Ontario.

Mr. Ramsay: Are we not creating another situation where we have cheap goods coming in from these developing countries and

are they not going to offer that same undesirable competition to your workers?

 $\underline{\text{Mr. Clark}}\colon$ That is where the thing ends. There are no cheap goods coming in. They say that. That was the original concept, that this would allow lower priced goods to come into the country, but it is not happening.

Go yourselves. Do not worry about sitting here in committee. Go tonight with your wives somewhere and go through the men's stores. Pick up some underwear, some shirts and some suits and do not look at the style; look at the label where they were made. You will be amazed that the goods that are imported into this country are within \$1 or \$2 of the best Canadian made products.

They are not doing it. They are producing them cheaper, but by the time the ripoff boys get through their stunts, it ends up on our shelves costing the poor people as much as what we make ourselves.

Mr. Ramsay: I do not want to prolong this. I do not think we are on the same wave length.

I agree that that is what is happening and I accept your explanation. However, let us say they did bring it in and sold that sweater at \$4, which is much closer to their actual cost. Meanwhile, Canada cannot produce that same sweater and sell it for anything less than \$27.

Mr. Clark: That's right. Then we would be in trouble.

 $\underline{\text{Mr. Ramsay}}$: That is what I mean. That is the point I am getting to.

 $\underline{\text{Mr. Clark:}}$ That is a projected argument. I cannot conceive that. I cannot conceive the government saying they will do that. They are not going to allow it because it would mean the death of 250,000 jobs.

Mr. Chairman: On behalf of the committee, Mr. Clark, thank you very much. You do bring some fresh attitudes here and it is much appreciated. This is your second and very worthwhile visit back and we have benefited by your appearance.

Just before we adjourn, gentlemen, we do have a representative from each of the caucuses here. I do not think we want to prolong this, but tomorrow morning we have an opportunity to hear from a Mr. Adamson who had been director of manpower consultative services at Manpower and Immigration. He is now retired and he does arbitration work here with the Ministry of Labour.

As you can see, our calendar for tomorrow morning shows a pass, because we were not able to get Duncan Allan from the Ministry of Industry and Tourism, although we will try to get him before we complete our hearings.

I would like to make the recommendation that we meet

tomorrow morning at ll a.m. to hear Mr. Adamson. That gives us an extra hour in our offices. Is that agreeable? I do not know Mr. Adamson, but Mr. White and I have reason to think that he would contribut to our work. We could begin tomorrow at ll a.m.

Mr. Cooke: We have nothing else scheduled anyway.

Mr. Chairman: No, we do not. Please pass it on to our other people on the committee. We won't start until 11; Mr. Adamson, former director, manpower consultative service.

The committee recessed at 12:33 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, JANUARY 13, 1981

The committee resumed at 2:21 p.m. in room 228.

PUBLIC POLICY PROPOSALS

Mr. Chairman: We have a quorum, Professor Jecchinis, if you would be kind enough to come forward. I know that you are familiar with the way we work. Obviously you know the mandate of this committee.

We have been meeting now for I guess eight or nine weeks and are rapidly approaching the time, the first week of February, when we will table our final report. You bring some expertise to this committee regarding other jurisdictions and competing legislation, an area in which we need to be educated.

I understand that you have a written submission, copies of which will be made available to members of the committee, and we are in your hands if you care to begin. I hope time will permit questions afterwards.

Mr. Jecchinis: Mr. Chairman, at the outset I would like to explain my experiences in the problems of redundancies and layoffs, which goes back to my time as an official of the International Labour Office and the United Nations Industrial Development Organization in the middle and late 1960s. It was at that time that I became first aware of certain inadequacies in the Canadian legislation-rather the lack of legislation and appropriate measures related to the problems of redundancies and layoffs.

I was one of the officials responsible for the background papers which were submitted to the eighth conference of the American state members of the International Labour Organization which was held in September 1966 in Ottawa. In 1972 and 1973, for the first time, I published a paper on the employment problems related to the possible redundancies and layoffs as a result of advances in technology. This paper was published in 1973.

Later on, in early 1978, I produced a report for the Ministry of Labour on the experiences of certain western European countries on the problem of redundancies, layoffs and the measures taken in these countries to reduce the impact and cushion the adverse effects of redundancies and layoffs in these western industrialized countries.

Mr. Chairman: Professor, let me just remind the committee, if I may take a second, that prior to Christmas, early on in our hearings, each member of the committee was given a copy of that report you have just referred to, prepared by you for the Ministry of Labour in March 1978. I mention it because we have been receiving a pile of material and I know that the members would like to dig this one out when they go back to their offices.

We do have that paper just referred to.

Mr. Jecchinis: Thank you, Mr. Chairman. I must say at this stage that the Department of Labour, especially the research branch, has always been in the forefront in research related to a variety of problems and they always know where to get information which is of relevance to the problems that confront Ontario in the area of labour.

What I have tried to do here--I don't want to take too much of your time and I will, of course, be ready to answer any questions that you may have; I don't want to repeat too much about the European experiences because you do have my report--is to outline some policy objectives based on recent international trends in the first part of my presentation, and you have them there, which relate especially to avoidance or minimization of redundancies, as well as mitigation of hardship and redeployment.

In the second part I have outlined some specific proposals for action in the Canadian setting. I think, after a very short introduction, I would like to concentrate on the second rather than on the first because the first part is nothing else but an outline of some of the things that I have reported in my report of March 1978; which, incidentally, I had also reported to the federal commission of inquiry on redundancies and layoffs in the spring of 1978.

The present general economic recession makes a study of redudancy particularly topical. Most advanced industrial countries are, however, likely to continue to face considerable problems of redundancy even after any possible upturn in their economies. As the tempo changes in work organization, technology, especially advances in microelectronic technology, consumer demand and traditional market increases, more and more employees face redundancy and unemployment or retraining and redeployment.

The freedom of action traditionally enjoyed by management in this area is constantly being eroded by necessary legislation and collective bargaining as redundancy and related issues assume a more central place on the bargaining table and on tripartite bodies.

The parallel topical problem in Canada, accentuated by an increasing number of redundancies and layoffs, especially in Ontario in recent years, requires that redundancy provisions in western Europe must be examined against a background where, first, all countries will continue to face problems of structural unemployment and, second, the problems of redeployment for some countries, including Canada, will be accentuated by an underlying upward trend in the rate of unemployment. These are the realities of life and they are bound to be aggravated in the 1980s.

Therefore, what I have done here in addition, as I mentioned before, to point out some of the recent trends on an integnational scale, especially in western Europe, is to outline here some proposals for your consideration. Although supplementary arrangements and benefits for redundant employees may be made

through the existing collective bargaining process, the lack of adequate uniformity and relative strength among the trade unions in Canada requires government action through legislation in order to establish the minimum statutory requirements of notice, benefits and redeployment arrangements, as well as the appropriate institutions and services to carry out and supervise such requirements.

It is recommended, therefore, that federal legislation, complemented by similar laws at the provincial level, is introduced for the purpose of avoiding, or at least limiting, threatened labour force reductions and, where redundancies cannot be avoided, the measures that would be taken to compensate the redundant employees and help them to find appropriate alternative employment.

What I have done here is to outline the basic provisions of the proposed legislation that I have in mind. The first is concerned with notification of redundancies; the second, with a consultation with employees' representatives. Since something like this is new in Canada, I would like to outline some of my thoughts on the subject, based again on international experiences.

I say here that, according to the proposed legislation, the employer would be required to disclose in writing the above outlined information to the union or unions concerned, and the union or unions will have the right to make representations to the employer, who will then have to consider and reply to these representations in writing. In the absence of a recognized union, an employer who employs more than 10 employees will have to inform and consult with an employees' representative committee elected by all employees in the section or sections of the establishment where the dismissals would take place. This would be something similar to or even a little bit more advanced than the one that we have now relating to safety and health.

The election of such committees will be supervised by the appropriate government department. The representative committees of employees would have the same rights and responsibilities concerning consultation on redundancies with the employer as those of the representatives of trade unions. If in a case there are special circumstances which may render it not reasonably practicable for the employer to comply with any of the proposed requirements of notice, then the employer would have to take all steps towards compliance with that requirement which is reasonably practicable in the special circumstances.

The recognized trade union or the elected representative committee would have the right to complain to the labour relations tribunal, or another special tribunal established for that purpose, that it has not been consulted by the employer. If consultations do not lead to a settlement and the tribunal finds the complaint well founded, it may then make a protective award which would require the employer to pay each employee covered by the award for a specified period. If on the other hand an employee refuses and offer from his or her employer of a new contract or a renewal of the old contract, he would lose his or her entitlement to remuneration under the award.

An employee, directly or through his or her recognized representatives, may complain to the tribunal that he or she has not been paid the amount due under an award. The tribunal would then be empowered to order the employer to pay the amount due.

The two parties to a collective agreement may apply to the head of the appropriate government department for exemption from the proposed statutory provisions and negotiate their own terms concerning redundancies. The head of the appropriate government department would have to be satisfied before granting exemption that the agreed arrangements are, on the whole, at least favourable to the employees covered, and that they specifically provide an independent right of appeal for an employee who claims that the procedure has not been complied with or the right to bring a claim before the tribunal that the employer did not commply with the provisions of the law.

Then I deal with notice to individual employees. Generally speaking, I propose that the statutory minimum periods of notice for individual employees would be as follows: between four weeks and one year of service, one week's notice; between one year and two years of service, two weeks' notice; two years' service or more, two weeks' notice plus one week for each additional year of service up to a maximum of 12 weeks' minimum notice after 12 years' service. In this respect, the notice proposed by other interested parties might perhaps be even less in some cases. Nevertheless, I was thinking of Canadian realities in general and Ontario in particular.

2:30 p.m.

Then we come to the important section of our presentation: redundancy payments. The proposed legislation will provide for statutory compensation for employees becoming redundant and the scale of minimum payments will be as follows: for each year of employment at age 41 or over but under 65 (60 for women), two weeks' pay; for each year of employment at age 22 but under 41, one and a half weeks' pay; for each year of employment at age 18 and over but under 22, one week's pay. These payments will be made to employees in addition to any entitled unemployment allowances and will not in any case become a substitute for entitlements under the social security scheme.

The reason I have separated those over 41 and those under 41 is perhaps obvious. It is because it will become even more difficult in the future, when the number of skilled become more obsolete because of advances in microelectronic technology, to easily be able to retrain the older workers as time goes by. Therefore, better arrangements have to be made for those of a more advanced age.

The financing of redundancy payments is a very difficult question because obviously the big corporations will be able to pay; the smaller ones, because of the pressures of high interest rates, may not be able to. Therefore, I submit to you three different kinds of financing alternatives that are open to the public authorities contemplating statutory redundancy payments; the cost of the payments to be borne entirely by the employer; the

cost of the payments to be borne by the government—and I do not think the government will be willing, in the present circumstances, to do so; the cost of the payments be borne by a mutual fund established and developed from employer and employee contributions.

The first alternative, being the most favoured and practised in western Europe, is strongly recommended for Canada. Nevertheless, in anticipation of strong unfavourable reactions against the first alternative by the employer organizations and against the second alternative by the two levels of government because of budgetary constraints, the third alternative is herewith outlined because it has perhaps a better chance of acceptance by all parties concerned.

The proposed mutual fund for redundancy payments would develop from employer-employee contributions based on a negotiated agreement between the parties concerned and the provincial government. Taking into consideration federal-provincial jurisdictions and responsibilities, it is recommended that the federal government establish the guidelines for such arrangements and leave the actual negotiations and participation to the provincial government.

The negotiations for the establishment of the proposed fund should proceed with the starting principle of one to four fifths contribution. In other words, four fifths of the contributions would be paid to the fund by employers and one fifth by employees, deducted at source and calculated on an agreed percentage of the salaries and wages paid.

In addition to this arrangement may be some other nonstatutory arrangements. The appropriate government departments should encourage negotiations and collective agreements between individual employers and trade unions to improve on the statutory benefits and the arrangements for re-employment, especially in those industries that are prone to periodic large layoffs. Such agreement may also provide that employees would transfer from one plant to another because their previous jobs had become redundant within the same company, should receive allowances to cover such matters as travel expenses, moving costs, house sale and purchase costs and rents for temporary accommodation.

I go now to the measures to avoid or reduce redundancies or the statutory and nonstatutory arrangements. As far as statutory arrangements are concerned, I propose that the appropriate departments of both levels of government should share the cost of a temporary employment scheme and an agreed weekly payment per employee will be paid to an employer for up to six months or more if the employer agrees to postpone the redundancy of 10 or more employees and the notification of the redundancies have been made in accordance with the relevant provisions of the proposed legislation.

The provincial government should include, in the relevant legislation, provisions that would entitle the employees who have been selected for redundancy to reasonable time off with pay when they are seeking a job.

Statutory provisions should also be made by both levels of government to cover jointly the cost of special retraining programs for selected redundant employees and to compensate these employees during the entire period of their training with a daily allowance which, with entitled benefits, would bring their pay to at least 80 per cent of the wage they had received before they became redundant.

Among the nonstatutory arrangements, I recommend a number of measures concerned with limitations of recruitment, redeployment and transfer, retraining, limitations of overtime, limitations of subcontract work, short time working week, voluntary redundancies, early retirement and special consideration for involuntary redundancies. You have some of the details in my presentation.

Finally, before I finish--and I will be ready to answer your questions--I would like to say that some of these recommendations may sound rather reformist or radical by certain interested parties. Hiwever, in the 1980s we are going to face an attack on us by circumstances for which we are not necessarily responsible against the very existence of our economic system and parliamentary democracy. It is in the interest of all parties concerned, and especially business, to make certain that they co-operate with the other interested parties in order to save the system from possible catastrophe. I believe our system will never be destroyed by any kind of revolution but only by greed and apathy.

I would like to finish with a quotation from a young businessman who is the president of the Agora Foundation, Mr. Edward Waitzer. I would like to go on record to quote him exactly:

"It has become quite clear that to arrest and reverse government intervention is not to proclaim that the perceived problems are nonexistent, that the proponents of change under private enterprise are subversive or that the consequences of reform would be catastrophic. Rather, we must state the existing process work as as well we can by each discharging our responsibility to assure that private power is effectively and responsibly exercised in a manner consistent with both the disciplines of the marketplace and the noneconomic aspects of public interest."

Mr. Chairman: Thank you, professor. There will be questions from members of the committee. I wonder if I might just start off.

Let me jump right to the matter of severance pay as we call it. I like your euphemism "redundancy payment" on page 10. That is one of the areas we have before us and are frankly just now beginning to deal with--the amount of money that an employee, once terminated, will receive.

In the middle of page 10, when you outline what you mean by that and you give the two weeks' pay or a week and a half, et cetera, that is very similar to the existing legislative requirements in the United Kingdom.

Mr. Jecchinis: That is correct.

2:40 p.m.

Mr. Chairman: I am interested that throughout you have said that you have made these recommendations really to fit the Canadian setting. What is there uniquely about the Canadian setting that makes the outline you have given us for redundance pay appropriate to Canada?

Mr. Jecchinis: In the first place, there are other countries in western Europe that are more advanced in their severance pay. In fact, some countries there call it compensation, which is greater than the severance pay experienced at the present in Great Britain. In Germany, for instance, they do not have statutory severance pay. What they actually have is compensation.

The individual worker or, let's say, a group of workers will discuss redundancy plans with the employer through the works council, and if it is impossible to reduce the planned redundancies, then they ask the employer to pay adequate compensation, to be negotiated between the two parties. If the two parties do not agree, then the case is submitted to a tribunal and the tribunal decides.

Usually the compensations are very high, Mr. Chairman, higher than the British redundancy payments. That is why I have taken one of the lower ones, as well as to suggest something similar that exists in France, where contributions only come, although I must say that is only a minor percentage, on behalf of the employees to the mutual fund. Nevertheless, there is at least some token reduction of the employee's salary for the purposes of the mutual fund in France, while in Britain there is not.

What has happened in Britain is that the employers do pay into a special fund through contributions and when they do have to pay redundancy payments, therefore, they do pay their employees directly and then they receive a rebate, a sort of refund.

Mr. Chairman: If we were to pursue the third suggestion, which you think is the one that should be pursued, where there is this mutual fund with each of the parties contributing, four fifths employer, one fifth employee, just in the context of Ontario for a moment, we could go through some arithmetic and determine what additional costs that might mean for an employer. I mention that but I do not know what the number is. It would be something and I guess over the next few weeks we will try to look into that a little bit.

It has been suggested occasionally to this committee that any additional costs which you put on employers in this environment, which you have outlined, the environment of the 1980s, would preclude the kind of investment that we might need. Is that a valid concern in your judgement?

Mr. Jecchinis: Let me answer in another way, Mr. Chairman. If that was the case, then Germany would be by now an industrial desert.

Mr. Chairman: Sir, let me come back to that. If, in fact, we did legislate the kind of severance proposal you have, we would be the only North American jurisdiction, with the exception of Maine, which had mandatory legislated severance pay.

Mr. Jecchinis: That is correct.

Mr. Chairman: I think, with respect, because of the competing jurisdictions, which in our case are Quebec, Manitoba and Michigan more than Sweden, Belgium and Germany, the question might be more valid, given that we would be the only jurisdiction in this immediate competing environment to have such.

Mr. Jecchinis: Yes, Mr. Chairman, but there is the very important questions of whether we are going to compete with the United States in the lack of social responsibility. There are other questions which are utilitarian objectives connected with severance pay and any arrangements related to redundancy and layoffs. I think that the clever investors should look for a secure, satisfied, stable and productive labour force.

This is the big success of those countries which compete so successfully in the international market with the traditional countries like the United States. Their labour force is stable and productive, and one of the reasons why they are stable and productive is that they are secure.

An outstanding example of that, of course, is Japan where it is a corporate policy to make certain that employees are secure, almost for life, in their employment. We know very well indeed how stable and productive the Japanese labour force is and how adaptable to the needs and requirements of changes caused by technological advances.

"Mr. Mancini: Certainly you would not expect the Canadian worker to be controlled to the extent that a Japanese worker is controlled by his employer. They even plan what they do after hours and they plan their vacations. I do not think that the individual Canadian worker wants that kind of relationship with the employer, so I do not think your argument is correct to the exact point as you would make it.

Mr. Jecchinis: We must always look into myth and reality as far as Japan is concerned. I think there is a bit of a myth about the control that the employers have over their employees. As you know, Japan has very radical trade unions and in some cases they are even more radical than some of our own trade unions.

That is not entirely true. There is no doubt that they are very paternalistic to their employees by tradition. Nobody has suggested that the Canadian workers sing the company song every morning we go to work, as sometimes happens in Japan. Nevertheless, there are some aspects of treatment and some aspects of security which can be adapted to North America.

Recently in Newsweek there was a report about Japan. We cannot say that Newsweek is in any way a radical magazine, but it

recommended that it is about time we look into the Japanese experiences.

Because of cultural differences, it would be better if we looked into western Europe, and that is exactly what I have been doing for some time. But, again, nobody can tell me that our labour force is more secure and productive than the German or the Austrian or any of the countries from the Benelux group. If you look at it historically, you will see that the productivity and the rate of growth in these countries is higher than ours, and also they have less unemployment. So it is about time we very seriously look into other situations.

Unfortunately, management in North America has been spoiled by circumstances. Every time there is a need for improvement in working conditions and labour-management relations, they refuse to look into the experiences of other countries and they hide behind the wall of the argument, "This is not possible here because we have established a different kind of approach in this country."

I cannot accept that. North American countries are also western industrial countries and it is about time to look into the experiences of other countries and try to copy them if we are to compete effectively in international markets.

Mr. O'Neil: You do not totally agree surely with everything that is going on in Europe and some of these other countries, because a lot of their industries are not in the excellent position that some of ours are in. Are you saying that we should go and do everything they are doing holus-bolus? You are saying that everything that they do is right and we are not doing the right thing here. We have a very high level of living here; we have many things that are excellent. Sure, there are some things that we do need. I am wondering whether you are pressing it too far.

Mr. Jecchinis: No, I did not say that we do everything that they do. I never wrote anything like that, Mr. Chairman. I never said that. What I said is that it is up to us to select very carefully some of the things that they do over there and try to copy them over them. That is exactly what I am saying we do.

 $\underline{\mathsf{Mr.}}$ Chairman: No, I respect that and the comment that you made.

 $\underline{\text{Mr. O'Neil:}}$ But not totally. It has to be balanced both ways. We have a lot of good things that maybe they should be doing too.

Mr. Chairman: Actually, this exchange shows a little bit about one of the things that is obviously of concern to the committee. I refer to the old argument, which we are trying to work through, that it may well be there is a knee-jerk response by the employer group to say, "We cannot, damn it, afford a particular set of guidelines in this jurisdiction when a neighbouring jurisdiction does not have it." That is my question. Let me ask it in this context.

2:50 p.m.

Mr. Jecchinis: I don't know, Mr. Chairman, the American steel companies, and to a certain extent even British companies, now are trying their best to invest in Germany and countries like Germany, and if the door opens tomorrow in Japan, they would like to go over there. I repeat again, what they are interested in is a stable and productive labour force, a stable society and a stable economy--and they have it over there--not because they would like to find an easy way to solutions of their problems.

When I said they are spoiled, it is because every time they are under pressure, automatically they pack up and go. They cannot do that in most of the western European countries. They must try their best to find other solutions. I give you a recent example. In Germany, for instance, the low unemployment rate--I read the news--coupled with tough legislation protecting workers from sudden dismissals, is saving the jobs of Ford workers in Germany.

I do not know whether they are going to save the jobs of Ford workers in Canada or in Ontario, Mr. Chairman. While thousands of Ford employees line up at unemployment centres in North America, the German subsidiary is offering senior employees \$76 million in bonuses as incentive for early retirement. The firm has also instituted a short work week at its plants to avoid job cuts. Firing workers or arranging to reduce employment is an expensive proposition in Germany as the \$76 million offer illustrates.

In other words, if we make it a little more difficult, then management would plan better for the future and try to reduce the incidence of redundancy. Part of our problem is structural unemployment and unfortunately management, with its lack of planning and efficient management, is producing the present situation.

ootnotesize Mr. Chairman: Let me ask this last question in this general area.

In western Europe then, from what you said and from what you have written, in a number of different jurisdictions there are significant differences in terms of the legislation. On justification for closure, legislation is different in France from what it is in Belgium. There are significant differences in redundancy pay schedules in the countries in western Europe. Is there any indication that investment patterns vary among those different western European jurisdictions?

Mr. Jecchinis: Redundancy, Mr. Chairman, has never been mentioned either in the Ontario Institute for Studies in Education studies or the International Labour Organization studies at all as a factor against investment. Redundancy arrangements contribute to a stable and productive labour force, yes, if you can translate this into, shall we say, dollars and cents. But again we have to look into the international situation and in order to answer the gentleman whether they are doing right and we are doing something wrong, I would like to quote some of the rates related to output and productivity growth.

In Japan, for instance, productivity growth was eight per cent from 1951 to 1973 and ended in an output of 9.5 per cent. The United States productivity growth was only two per cent and ended in an output of 3.7 per cent. Canada was only 2.2 per cent and ended in an output of 4.6 per cent.

In France it was 4.8 per cent and the output five per cent. In West Germany, it was 4.7 per cent and the output 5.7 per cent. Even Italy is better than ours, 4.6 per cent to 5.1 per cent. The United Kingdom, before the recent political changes, was four per cent to five per cent, and The Netherlands, four per cent to five per cent. These, incidentally, are from the Organization for Economic Co-operation and Development and other sources.

You can also look at structural unemployment and unemployment figures in general. You can compare the period 1969 to 1977; you can compare 1950 to 1960. It is very recent history. Really, nobody can prove that any arrangements related to redundancies and layoffs and any contributions from the employers will adversely affect investment. I am prepared even to bet--after, of course, I receive my new increase; I have not received my increase yet.

Mr. Martel: Certainly in the last 10 minutes all of the types of responses that we get have come to the fore--

Mr. O'Neil: We just want to hear all the points and responses--

Mr. Mancinci: Do you mean responses like Canadian workers wont be treated like Japanese workers? Is that what you are talking about?

Mr. Martel: They are so simplistic, the type of responses you have heard that dealt with what will happen if we deign to introduce any type of legislation which would guarantee security for people. The hue and cry always is that they are going to take their bongo balls and go home.

Mr. Mancini: You are twisting the facts a bit.

Mr. Martel: I might be twisting the facts, but I think it is pretty obvious that we are sitting here as a committee because the ground rules have not changed in a long period of time. Corporations still think they can do whatever the hell they want in our society without any responsibility to--

Mr. Mancini: That is not what he said at all.

Mr. Martel: That is certainly what you are saying.

Mr. Mancini: You should not say that and try to attribute that to us.

Mr. Martel: Mr. Chairman, has he got the floor?

Mr. Mancini: He should not say those things and try to attribute them to us when we did not say that.

Mr. Martel: Does he have the floor?

Interjections.

Mr. Mancini: Why attribute those comments to us, Elie? You know darned well we didn't make those comments.

Mr. Chairman: Mr. Martel has the floor now, then Mr. Turner.

Mr. Mancini: Cooke is trying to make a political career out of putting down Herb Gray, but it is not going to work.

Mr. Mackenzie: Your comments are almost as difficult to understand as your policies.

Mr. Mancini: What, that Cooke is trying to make a political career out of putting down Herb Gray and that it is not going to work?

Mr. Chairman: Mr. Martel.

Mr. Martel: I am glad, Mr. Chairman, that you recognize that I have the floor.

Mr. Chairman: Remo is full of beans today.

Mr. Martel: Let me get back to it. The whole concept is the one that is always before us, that if we interfere in any way, shape or form, if we legislate in any way, shape or form, the investment dollars are going to scurry somewhere else. That has been told to us by the Premier (Mr. Davis) on down, the Treasurer (Mr. F.S. Miller), the Minister of Industry and Tourism (Mr. Grossman). You name the people who tell you that any type of legislation, even severance, which did not get passed last session, is going to frighten off industry. You obviously don't believe that nonsense.

 $\underline{\text{Mr. Jecchinis}}\colon I$ do not believe it because whatever I believe or do not believe is based on certain facts which have accumulated in the last 20 or 30 years in western Europe and the rest of the world. I am speaking now as a former United Nations official related to industrial development.

We looked into the Third World countries, and the usual argument was that if certain things happen in the industrialized countries they will begin to invest in a big way in the Third World countries, not taking into consideration the fact that these countries have political and socioeconomic instability and you may lose the entire investment within 24 hours or see it blown up.

So I do not think it is going to happen. I think Canada is a great country with a great future, and I do not think that any arrangement related to redundancies and layoffs will frighten investors away; no, sir.

Mr. Martel: You just read some statistics which indicate the productivity in other countries. We always hear the hue and

cry here that trade unions are too strong, and yet in the countries that you mentioned, trade union movements are very viable. We have people who try to relate part of the production problem to the trade union movement.

3 p.m.

Mr. Jecchinis: With strength comes responsibility. During the three years that I spent in Vienna with the UN, we did not even have one single strike, and the trade unions in Austria cover 85 per cent of the labour force. They have one of the strongest and very politically oriented trade union movements in western Europe, and they did not ever abuse their power.

Mr. Martel: The investment policies of the governments in Europe, however, are vastly different to that in Canada. When I was in west Germany with the last select committee that studied this problem, or the one before the last, which was Inco, I think I read then that the government had invested in something like 650-odd major corporations in west Germany.

Mr. Jecchinis: Indirectly.

Mr. Martel: Indirectly?

Mr. Jecchinis: Through the investment banks. They have always been doing that since the days the industrial revolution was transferred to Germany; since the old days it has been a tradition. It has been an outstanding feature of the German capitalist system. The investment banks and the government do participate and help in the development of private industry.

Mr. Martel: The thing that amazes me about Canada, as a country with the third largest production of mineral wealth in the world, is that we are in such a poor manufacturing position; that we have never utilized our raw resources as a bargaining tool to almost force industry to locate here.

In my opinion--I am not sure you will agree with me--if we were to use our natural resources as a bargaining tool to force people to locate here rather than in many instances not even refining our resources in Canada, we could use those as the greatest bargaining tool to develop a most powerful manufacturing sector.

That might mean state control of the resource sector--some of my friends over there will disagree with me--but it seems to me that should be used by government as the major component in an industrial strategy which would see location of industry here, because if they did not have our resources they could not manufacture somewhere else.

Mr. Jecchinis: Frankly I did not come today prepared to discuss this particular problem. It has happened in a number of countries, but it depends, of course, on the political will and the philosophy of the government. It would be very difficult for me to express an opinion.

Mr. Martel: There is the problem, though--and I have gone through your paper--that I do not think we can deal with one without dealing with the other, because I find if we deal strictly with redundancy and not what causes that redundancy, then we are into a proposition where we are like the little Dutch boy trying to plug up the holes in the dike.

Despite the many excellent features you have in your report, they are still stopgap measures because we do not have employment for the million people who are here, and I am not sure the state could afford the type of funding that would be necessary to implement all that.

That might work in an economy where you have a small percentage of unemployment, but when you are dealing with eight, nine and 10 per cent unemployment, it is a stopgap. I looked at retraining, and retraining is only viable if you have jobs for people to go to.

Mr. Jecchinis: What is said here is that through these measures you can reduce structural unemployment, but you cannot reduce substantially overall unemployment; you need much more than these measures in order to reduce substantially overall unemployment and bring it down to a manageable percentage, to three and four per cent. Certainly we need an economic policy and an industrial strategy, but I am not prepared today to do that.

Mr. Martel: I understand that. I just wanted to get your opinion because the recommendations--I want to come back to a couple of them in a few moments--by themselves will not end our problem in Canada. Structural change is necessary somewhere along the line.

You read a quote. Could I ask you what you foresee happening in Canada--not right on target of course? I sat on the select committee for four years and we made recommendations. None was acted upon--and that was from 1971 to 1975--and here we go again. This is the third select committee I have sat on. One dealt with Inco, but it was still the structural problem. What do you foresee in 10 years if corporations are going to rationalize, as some of the companies we have seen, are going to retrench to the United States to supply the offshore market?

I want to preface that with respect to what our Minister of Industry and Tourism is talking about. The policy he is trying to sell--what is the term?--"global product mandating," would see companies locate in Ontario. I do not see multinationals giving to Ontario a certain product line which they could sell around the world. The few companies that have been named have been doing that for some time--Honeywell or IBM. But if that rationalization goes on and, heaven forbid, if we could entice multinationals, we would not have a problem to do the global product mandating the minister is talking about. Should that fail, what do the next 10 years hold for us?

 $\underline{\mathsf{Mr. Jecchinis}} \colon \mathsf{More}$ unemployment and certain (inaudible) conflict.

Mr. Martel: Do you think of things such as global product mandating will succeed? Can it succeed? Will the multinationals, out of the generosity of their hearts--and I don't think multinationals worry about the host country very much-- will leave a product line in Ontario that involves research and development, where you go out and attract your own markets for that line? Do you think that will occur?

Mr. Jecchinis: It could under certain policies pursued by the government. It has happened in other countries.

Mr. Martel: Sufficient to stem the tide?

Mr. Jecchinis: Sufficient to stem the tide, yes. But it does need, of course, very strict measures. Every time the multinational company does not behave itself, some action has to be taken. I am looking here, for instance, in the area of our own interest. The Swiss subsidiary of the US multinational company Firestone will have to pay \$1.5 million fine to its workers for violating a provision in the collective agreement guaranteeing its workers information and consultation rights prior to a plant closure. That case is in Switzerland, which is not in any way a very radical country as we all know. So they can control it. If they can control it in Switzerland, I am sure we can control it in Canada, as long as there is the political will to do it.

Mr. Martel: Let's go back to the original point then. The fear expounded by many is that if you bring in controls you will frighten off investment. What can we give them? I am not prepared to give them anything by the way, but what could we give them that would entice them?

You have heard the cry that they will not come here because the legislation might be too stringent. If you look at something as simple as severance pay--and i know that one of the manufacturing associations is coming before us in the near future--they have guesstimated that the cost of severance pay would be \$700 million. I think that is a lot of hogwash. We will ask them how they calculated it when they come.

3:10 p.m.

Mr. Jecchinis: I do not know what is going to happen here. What I know is that certainly whatever happened to Firestone will not affect the efforts of a number of US corporations going to Switzerland to make base.

Mr. Martel: Let me go back to a couple of points. What do you foresee as confidential information?

Mr. Jecchinis: Plans related to changes of production.

Mr. Martel: Technology.

Mr. Jecchinis: Correct. And new lines of production which compete with domestic as well as foreign competitors.

Mr. Martel: What about financial statements? Should that

be part of the information that a union received, or a government if it wants to inquire as to why someone is moving?

Mr. Jecchinis: It depends, of course, on the agreement. The legislation in certain countries requires that the company does open the books to employees' representatives, especially through the works council.

Mr. Chairman: Just on that point; we have touched on this before but I am trying to be constructive: The Ontario Securities Commission's regulations are very clear on that. The same legislation applies to public companies, at least, operating in this province--it does not matter whether they are subsidiaries or wholly-owned Canadian companies. They report quarterly in detail. They have to. There are no financial secrets.

Mr. Jecchinis: Mr. Chairman, I presume you mean for the transfer of funds from one country to another, perhaps.

Mr. Martel: Yes. Much of the information we use in Canada has to come from the United States, because it is not available here.

Mr. Chairman: It does not matter; it is still available.

Mr. Martel: It is not available here.

Mr. Chairman: It would take three days to get it mailed. Massey Ferguson complex: There are public statements available once every three months. If they were shipping some money from this jurisdiction to another, a good analyst could find that in about seven minutes. It is not a secret; that's all I am trying to say.

Mr. Martel: But some of it is. When we tried to find out the pensions of the top executives, when we were looking at Inco, for example, the union found that out in Washington. It was not available how much Mr. Grubb was getting in Canada.

 $\underline{\text{Mr. Chairman:}}$ That's right. But I just said that three days and the postage will get it for you.

Mr. Martel: Why should we have to go to the United States to get that information?

Mr. Chairman: I'll buy the stamp. If you, in your family and home life, had to be one half as public as your friends from Inco, you would move.

Mr. Martel: Oh, God, heaven forbid. They can have my bank statement tomorrow.

Mr. Mancini: We want the Board of Internal Economy meetings public and the House leaders too.

Mr. Martel: The Board of Internal Economy meetings are all public (inaudible). Why don't you read them once in a while?

 $\underline{\text{Mr. Mancini:}}$ The most secretive board there is in the Legislature.

Mr. Chairman: The Star Chamber.

Mr. Jecchinis: One more point I forgot to mention is that arrangements related to redundancies and layoffs was not very welcome in the beginning. This includes important legislation related not only the establishment of works councils within foreign corporations in places like Germany, Sweden, Austria and other countries, but employees' representatives elected to the boards of directors. It was not very welcome even by German business.

Nevertheless, both the Germans and the foreign companies in Germany and in other countries adapted themselves quite nicely into the new situation. As far as Germany is concerned it is a (inaudible) presentation. All the employees and the trade unions that cover that particular enterprise are represented on the board of directors, which is called the supervisory board. For your information, not only Germany has workers' representatives on the boards of directors; Austria, The Netherlands, Luxembourg, Finland, Sweden, Norway and Denmark also have.

Mr. Martel: And that's where many people are fighting to get into, to establish businesses. In fact, SKF is closing down here and going to service the Canadian market from, I guess, Lisbon. It is from somewhere in Europe, but they have gone to a society where the regulations are much more stringent than here.

Mr. Mackenzie: I am wondering if you feel that a key, really, to corporate or investment stability is knowing the rules for some period of time in advance, more so than the severance or notice or justification requirements we may set down. I get a feeling from time to time--and it has been verified in a few other cases I have been involved in--that while the corporate world may argue against all these measures, what they are really concerned with is knowing what the rules are that they have to operate under and knowing that there is some stability for a period of time. Is that a valid observation?

Mr. Jecchinis: It is a valid observation, but I would like to add one more. I would say that any business, whether in the public or the private sector, needs something else. Everything that leads to a secure and productive labour force and a reduction of industrial conflict is extremely important.

One of the biggest problems we have in this country, and let us not hide ourselves behind our finger, is the fact that we do have one of the worst industrial conflict records in the western world. It is comparable only to that of Italy, which of course has other problems which are not directly related to industry. They arise because of social and economic discontent of an extremely over-populated country. This is not the same problem we have here.

We have at the same time tried our best to find ways and means, through bipartite as well as tripartite arrangements, to

reduce industrial conflict because it does affect adversely production and productivity.

Mr. Mackenzie: Would you comment on whether or not some of the industrial conflict and problems we have relate to a greedy or undisciplined or overly-militant work force, or whether there is an element of the insecurity that I guess is the reason for this committee being established?

In other words, can you assess the blame percentagewise? Is it an overall problem in this country, is it an area that we have just tried to operate too much in the free market or free enterprise type of arrangement without accepting the responsibilities?

Mr. Jecchinis: In the first place I do know there is not any place in the world except Hong Kong where they have the free enterprise system without the other private enterprise system under the controls of the government.

Mr. Mackenzie: In other words, the claim we get constantly is a bit of a phoney one?

Mr. Jecchinis: I think it is. But I think that all are responsible. I think it is an overall problem, in order to be fair about it. I would like to repeat some of the words my old professor, Sir Henry Phelps-Brown at the London School of Economics, said to me once that after all the trade unions are nothing else but a reflection of the society that gave them birth and sustains them. If the conditions and the relationships do change and improve, so will be the actions and reactions of trade unions and their members.

3:20 p.m.

Mr. Mackenzie: Before I get into the next question, I cannot help but make an observation here that may or may not be useful to some of my colleagues.

My short life to date has been almost totally involved in the trade union movement and I am constantly amazed at the militancy, particularly in the big locals, of new groups that decide they are going to challenge the administration and take over the running of that local. I am amazed at the campaigns that go on which at times seem to be almost out of line or ultraradical and the rather drastic change that occurs within a year or two of that new administration taking over in a local union when they are faced with the responsibilities of negotiating a contract for 10,000 or 12,000 or 15,000 members and for administering the local and dealing with the problems of the workers.

I have never seen a case yet where--and I am using it in the most broad terms--"a new militant challenge" to a local has succeeded in taking over that has not ended up being a hell of a lot more responsible within a year or two, or at least perceived to be more responsible within a year or two of undertaking the responsibilities.

I do not know whether that relates to what you were saying about the uropean situation where there are some militant unions but also some history of responsibility.

Mr. Jecchinis: It depends on how apathetic the membership is. If the majority of the membership is apathetic, it is very possible for a small minority group to take over a trade union or any democratic institution by simply going over there and doing the job while the others spend their time either watching the telly or drinking beer somewhere.

 $\underline{\text{Mr. Mackenzie:}}$ Drinking beer in some of the union halls has been a problem on occasion.

Let me ask you, and I guess this relates directly to what I am suggesting, and I must confess I have had some resistance to it although I think I can see the growing merit of it, do you think we are ready for a role by the unions, the workers' representatives at the board level in corporations in Canada particularly, but in North America generally?

Mr. Jecchinis: My answer to that is yes, sometime it will happen, but why should we start at the board and not at the work place? Why not start with works councils?

Mr. Mackenzie: I suppose I could raise the same thing, and I do not disagree with you, in terms of safety and health. While we have a good new bill now, we are having some serious problems almost a year into the new bill whether or not we got the equality we thought we had in terms of the joint safety and health council.

I suspect before we move up the ladder you are right, we are going to have to have some acceptance that in fact the workers do have an equal say on these kinds of committees.

Mr. Jecchinis: It is a question of education, it is a question of changing attitudes and philosophies; and these can only happen through time and through education. That is why a number of us had recommended a long time ago and it is to my satisfaction that about a year or a year and a half ago, as far as Ontario is concerned, the Ministry of Labour is trying to establish some joint training programs for both labour and management representatives, under the auspices of the government, to study some mutual concerns and try to find solutions to these problems.

I think this is the best way of proceeding to change attitudes. If you study industrial relations in a number of countries where they are doing much better than we are and have a very low rate of strikes and stoppages and other forms of expression of discontent, you will find they are countries where the philosophies and attitudes have changed. You find also the psychology of moderation being developed in the last few years.

Mr. Mackenzie: What do you see as the specific initial roles of works councils? I have some difficulty with it. It is almost easier to look at the top level. I agree it would probably

be more effective at the local level, but I have found such an entrenchment--once again maybe my bias is showing--of management's rights provisions in most contracts that I find difficulty in seeing just exactly how we would shake loose the works council. Are you suggesting that they could play a role in actual production scheduling?

Mr. Jecchinis: They have to progress into that. If you look into some of the experiences, they started with having little jurisdiction within the enterprise and move now in questions of important decisions.

They do not have a co-decision role to play. The works councils are informed about any changes that managements propose to make or any developments within the enterprise. They have the right to analyse the information given to them and to come back to management after they have discussed it among themselves, and with the trade union representatives in cases where the enterprise is covered by a trade union and a collective agreement, and present management with their views, trying either to contribute to the solution of a problem or to change the mind of management about a certain issue.

They may be able to do so and they may not. Nevertheless they are quite influential. In questions of redundancy and layoffs, they have the right to refuse management the right to reduce a great number of people before they are consulted and before they try alternative plans. In other words it depends on the circumstances and legislation, as well as any agreements the trade union and management may make related to works councils.

Incidentally, any work done by the works council is not there in order to replace the trade union or collective bargaining. It is parallel to collective bargaining and any arrangements that have been made between a trade union and management. They deal with problems on a day-to-day basis and not with any problems related to greivances or rates of pay.

Mr. Mackenzie: Except that I suppose there could be some crossover in terms of management decisions with regard to expansion, closure or transfer where you would get into--

Mr. Jecchinis: Absolutely correct.

Mr. Mackenzie: May I change just slightly and ask you if you see part of the way out of our present economic problems in Ontario as one that would require a much greater degree, in this country, of self-sufficiency? I guess that is the best way to say it. I started a few laughs in the last couple of weeks when I said I almost found myself moving from an almost lifelong, more or less free-trade position to one that worried me because I have never really wanted to be a protectionist.

I get the feeling that if we at least do not follow the route of trying to supply an awful lot more of what we can supply locally, which I think it is probably just good economic sense, we are in some trouble. I do not know whether that means going as far as to say that in certain areas or industries there has to be a

percentage of Canadian content or what. I suppose there are a number of responses to it, but is it a valid point of view that we look at more self-sufficiency?

Mr. Jecchinis: I presume you mean indigenous self-sufficiency. It is possible. It is also possible for the government to introduce a number of measures to assist the Canadian manufacturing industry, especially the secondary industries in general, through tax incentives for those who locate in areas on the periphery, including northwestern Ontario and a number of other areas as far as Ontario is concerned, and even some subsidies where necessary. For instance, the transport costs make it impossible to develop certain industries in northwestern Ontario and compete effectively with the industries of southern Ontario.

Mr. Mackenzie: I think my colleague makes an excellent example in terms of the mining machinery industry. I understand you were not here to discuss even one. I think a case can be made in terms of iron ore pellets, the shutdown of our mines and the additional imports we may take from off shore.

I am constantly amazed at the more recent figures in terms of something as basic as just one of our many agricultural products, where in 15 years we have gone from 70 per cent to 30 per cent supply-less than 30 per cent supply now--of canned tomatoes. All my agricultural experts tell me we can produce as much as we want to eat and can in this province.

Is there a necessity to say that somewhere along the line in many of these products, we are going to need to maintain a viable Canadian production even if it means some kind of restrictions?

Mr. Jecchinis: It is possible, Mr. Chairman.

Mr. Mackenzie: What you are saying is that if it is something you want to take a good look at, it has to be part of a total package if it is done.

Mr. Jecchinis: I agree with you, sir, it is a question of the total package. I suppose we need to look into this problem as part of the regional development plan and come back again and discuss it.

Mr. Mackenzie: I remember when economic planning was a dirty word. It seems to me we are really dealing with a broader issue than just the severance pay, although there may be all things, the notice, and all the rest of it, here. We are dealing with what kind of an industrial base we are going to have in this country.

3:30 p.m.

Mr. Jecchinis: France has an economic plan and so does Greece, but neither is a socialistic country in any way. They are mixed economies, capitalist countries.

Mr. Mackenzie: I never thought it was a particularly

socialist event, but at one time or another it was almost akin to communism to talk about economic planning in this country. Maybe we have progressed a small way.

Do you have any strong feelings on the argument for justification--I guess I feel more strongly in terms of the branch plants than anything else--but should a company be forced to give to some kind of a body justification or open their books or show why?

We have had a couple of first-class examples in Bendix, Armstrong Cork and SKF in hearings before this committee. Should that be a requirement?

Mr. Jecchinis: Definitely some justification must be given to the interested parties, to the government and to the representatives of its employees. This is the experience in other countries and I do not see why it should not happen here.

Mr. Mackenzie: I know this has been raised with you here in a slightly different way already, but we also constantly get the argument or defence that if one company is giving any information in advance to another or laying out their plans for the future, invariably they are at some kind of disadvantage in terms of the competition. I take it from your earlier remarks that you do not really see that as a legitimate argument.

Mr. Jecchinis: Not necessarily; as long as the government has the responsibility along with the other interested parties to make certain what becomes public and what does not.

Mr. Mackenzie: I gather, at least in some of the European common market countries, that it is not just a question of whatever form of justification or advance notice they have or government involvement, but that the benefits also include--I know they do in Sweden--such things as housing costs if it is necessary to move workers, guarantee of income, retraining, transfer costs and all of these things.

Mr. Jecchinis: Yes. The two countries where they have a very well organized labour market are Germany and Sweden. They have all these arrangements. Let me say also that no redundancy or layoff arrangements can succeed without a direct improvement of the labour market organization.

Mr. Mackenzie: You mean some kind of marketing arrangement in Canada would be necessary?

Mr. Jecchinis: Yes. I think now, with the establishment of the Ontario Manpower Commission, there is a very good chance of improving the labour market organization, especially monetary information of local labour market conditions. This is very important indeed.

It is not just a question of taking care of those who have become redundant, but also what happens to them after they become redundant, whether they will be redeployed within a very short period of time. The economy depends on full or near full

 $\ensuremath{\mathsf{employment}}.$ We cannot afford to have these people unemployed for too long.

Mr. Mackenzie: Is there any hard evidence that these additional costs that are built in and the kind of labour market planning that goes on in Sweden and Germany, as two examples, has made them any less competitive or affected them in terms of their manufacturing industry and productivity?

Mr. Jecchinis: Not at all.

Mr. Mackenzie: In other words they are as healthy or healthier and probably without the dislocations we have suffered, even though they have built these costs into the system.

Mr. Jecchinis: Yes, sir, because it provides for a more stable and better organized labour market.

 $\frac{\text{Mr. Chairman: I have one question. In France and Germany}}{\text{is legislation that precludes mass terminations, as per}}$ their legislation, without government approval, is that correct?

Mr. Jecchinis: Yes, provided the employees are taken care of. There are arrangements related to compensating employees. They can close a factory any time they want provided they explain why they are closing it.

Mr. Chairman: But am I not correct that the government will actually approve that decision before it is carried out?

Mr. Jecchinis: That is correct.

Mr. Chairman: In your experience since that legislation was enacted in either of those jurisdictions, have there been many instances where the government did not give approval to the termination, but when working with the company and its board, jointly represented by union and management, was able effectively to keep that company going as a viable entity?

Mr. Jecchinis: They have done so, sir. I do not know how many cases, but they have done so. It was mentioned to me, even as recently in Germany as last summer, because I received a fellowship again and I visited Germany for that particular purpose, to look into problems of layoffs related to microelectronic technology. They did mention a couple of cases, especially in the clock and watch industry.

Mr. Chairman: So one very definitely gets the impression-and I guess you could get details on this or we could try to get details on it--that with such legislation where there was a formal step involved where the directors of a company, so that labour and management were represented, had in effect to make their case to a government group, body, tribunal or what have you, before they could carry on a planned termination, that there are cases where they have been able to prevent that.

Mr. Jecchinis: Every single case is studied very carefully before any decisions are made and also the kind of

assistance perhaps that the government will be willing to provide and for how long.

Mr. O'Neil: We are having to write up a report in the first week in February. You have made quite a few points today, and I just wondered what are some of the main things that you would like to see us recommend to the government in this report that we are going to write.

In other words, of all of the things that you have mentioned that you have seen in Europe or in some of these other countries, what are some of the things that you think we might be able to bring in here that would assist us?

Mr. Jecchinis: Simply better information, consultation with interested parties, some form of compensation to be funded through an agreed formula.

Mr. O'Neil: When you say an agreed formula, do you mean money from governments, workers, companies?

Mr. Jecchinis: That depends what the governments do. My recommendation is, as I said, four fifths-one fifth in a mutual fund. You can follow, if you like, the British experience and let the employer, if he can, compensate these employees directly and then receive a rebate from the fund, or let the fund do the job. Then there should be redeployment efforts through retraining schemes, relocation and a better organized labour market, especially at the local level.

In fact, I would like to see that employers do not only inform the government of forthcoming redundancies, but also on vacancies, provided that does not interfere with any confidential plans they have; but vacancies reported to the government at the local level may reduce the time that an employee may have to spend looking for another job and will improve information related to the labour market, which is vital for this country in general and Ontario in particular.

Finally, I would recommend closer co-operation between the federal and provincial government, especially in questions of relocation, retraining and labour market organization, because at the present we do not have this co-ordinated effort in this country in contrast to what they have in Germany. They do have a federated state in Germany and the state governments do co-operate very closely with the federal government in questions of the labour market. Of course, our constitution is not the same as the German one; it is a loose federation. Nevertheless, there is close co-operation between the two levels of government, and I would like to see that.

I will give you an example, if you don't mind, of the lack of co-ordination and co-operation between the two levels of government. We had in Thunder Bay a gentleman who was in charge of retraining programs on behalf of the Ontario government and also another person who was the manager of one of the Manpower centres. Both were there for three or four years.

3:40 p.m.

All three of us met at a reception and I introduced the manager of Manpower Canada to the representative of—at the time it was the Ministry of Labour before retraining programs came under the jurisdiction of Colleges and Universities. I said, "Mr. So and So, have you met Joe Smith?" and he said, "No, who is he?" He did not even know him. This lack of co-operation and co-ordination at the two levels of government in this important area of concern must stop.

Mr. O'Neil: I just wanted to get your views. Right now, because of the economy and a few other things that have happened, we are certainly experiencing some problems in Ontario and in Canada. Where you use the example of some of the European countries I wonder whether or not, because of certain circumstances, maybe they have not encountered what we have so far, but that they may be encountering these same problems in the next few years.

We are starting to see where they are sending back some of their labourers to Italy, Spain and Portugal. We are seeing that their unemployment is starting to creep up. We are seeing that their inflation rate is starting to creep up. I just wonder whether we have painted a picture of some of these European places as being top rate, but that could very well change over the next few years as they start to experience some of the problems that we are experiencing now.

Mr. Jecchinis: In the first place, it is true all the western industrialized countries and, in fact, even the eastern European countries are going to face a lot of very difficult times in the 1980s.

What I am saying, and a number of other people are saying, is that the western European countries, especially the EEC countries, are better prepared than we are to face these problems and, therefore, absorb the adverse effects on society. They are better prepared because their labour market is better organized and there is better co-operation between labour and management. They even call them social partners.

That will be the day to look forward to, when labour and management in Canada will call each other social partners. I do not want to go on the record and say what they call each other. Officially, they call them social partners, and they do collaborate every time it is possible. There is tripartite co-operation and definitely much more advanced legislation. Because of these things they do manage to solve problems more easily.

Mr. O'Neil: You are saying they are better prepared and they are better looked after than us, but they have not really encountered these problems yet. Three or four years from now, if things really get tough in some of these European countries, are you going to be able to come back to us and say the very same thing you are saying now, or is that going to cause problems between industries and employers and employees?

 $\underline{\text{Mr. Jecchinis:}}$ If the international situation perhaps in the next few years becomes worse, they will face problems.

What I am saying is that their problems will not be of the same magnitude as ours, in spite of the fact, as the chairman mentioned, that this country, as far as its wealth of natural resources goes, is one of the wealthiest countries in the world and has a small population. We cannot compare the problems of Italy, for instance, a very poor country in natural resources, with a population which is now almost three times as much.

 $\frac{Mr.\ O'Neil:}{type\ of\ problems?}$ You are saying that we won't experience the

Mr. Jecchinis: I think that we should not have the same problems as the Europeans. We should be in a better position because of our small population and because of our natural wealth, which the Europeans do not have.

Mr. O'Neil: Are you saying then that things will get worse there than here?

Mr. Jecchinis: No, I do not say that. I say that probably they will have to face a number of crises, but in spite of the fact that they are poor in natural resources, compared to us, they will still always do better than we do unless we introduce a number of measures now, today, before it is too late.

Mr. O'Neil: Do you feel they do better than us now then?

Mr. Jecchinis: Oh, certainly. There is general agreement.

Mr. O'Neil: Better in what regard, just to go over that

Mr. Mackenzie: Redundancy.

Mr. Jecchinis: Inflation, unemployment, economic performance, adaptation to the needs of the times, especially microelectronic technology.

Mr. O'Neil: Why is that starting to reverse itself now then or do you not think it is starting to reverse itself? Where they have always been ahead of us there is that tendency now for it to reverse itself now, and it could get a lot worse. You do not believe so?

Mr. Jecchinis: I do not believe so.

Mr. O'Neil: What about England?

Mr. Jecchinis: It is a political question.

Mr. O'Neil: Only political?

 $\frac{Mr.\ Jecchinis}{monetarism--}$: That depends, If you believe in

Mr. Mancini: They had problems before monetarism.

Mr. Jecchinis: They did have problems, but let me tell you that if you look at the three years of the last government, in order to be objective, during the days of the social contract let me remind you that inflation went down from 34 per cent to just under 10 per cent. For the first time in 10 years they had a balanced budget. They were in the black.

Mr. Mancini: You are forgetting the most important thing.

Mr. Jecchinis: Unemployment was hovering at four per cent. Now today, of course, unemployment is eight per cent which is unprecedented as far as Britain is concerned. They have never had such high unemployment since the great depression years. Inflation is about 16 per cent.

Mr. O'Neil: You are saying that this is political.

Mr. Martel: Look at, Margaret. She is doing an excellent job.

Mr. O'Neil: You say the problems are political. Look at the reversal they have had in England from being industrial leaders at one time to the position they are at now. What politically would you do to change things?

Mr. Jecchinis: The criticisms of what is happening in Britain do not come from the opposition. They came just a couple of weeks ago when I was in Britain--I spent in 15 days there just before Christmas--from the Confederation of British Industries, and not from the TUC or the Labour Party.

Mr. O'Neil: The thing is you are saying it is political. If you were a politician in England, what would you do today that would totally reverse what is happening there now? You are saying it is political. What is your solution to it?

Mr. Jecchinis: You embarrass me.

 $\underline{\text{Mr. O'Neil:}}$ I do not mean to. You are telling me one system is better than another and I want to know your reasoning for that.

 $\underline{\text{Mr. Jecchinis:}}\ I$ do not want to be accused of being anti-female. I would say fire Mrs. Thatcher.

Mr. O'Neil: What about the problems she has had to deal with?

Mr. Jecchinis: In order to be objective, I would say a number of trade unlons contributed to the fall of the Callaghan government. At the time it was one of the best they had in the last 10 years. After the victory of Mrs. Thatcher, the policies were strictly monetarist with disastrous consequences up to now.

done? Mr. O'Neil: What would you have done that she has not

Mr. Jecchinis: I would continue definitely the social contract.

Mr. Mancini: The social contract was broken because in the 18 months that led up to the election they could not agree on the new social contract. That led to the new wave of strikes, that led to the new turmoil within the government and that led to the defeat of the Labour government.

Mr. Jecchinis: I agree with you. When there is a social contract, we are talking here about the--

 $\underline{\text{Mr. Mancini}}\colon$ The average worker thought he had lost under the social contract. That is why it could not be renewed.

Mr. Jecchinis: But let us give credit to Mr. Callaghan. He insisted in saying that they must continue the social contract.

 $\underline{\text{Mr. Mancini}}$: He insisted, and they called them one of the bosses.

Mr. Jecchinis: He was proven to be right.

Mr. Mackenzie: That does not make Thatcher right.

Mr. Mancini: No, I am not saying Thatcher is right. I am saying that the people thought in a significant way that their standard of living had been eroded a great deal for approximately 18 months leading up to the general election and they turfed out a bunch of members from Parliament.

 $\underline{\text{Mr. Jecchinis}}\colon$ I am sorry, it was not the people. It was a small minority of the trade union movement that did that.

 $\underline{\text{Mr. Mancini:}}$ She did not win a majority government the size she did because of a small minority of people -

Mr. Jecchinis: What you are saying is they cut off their nose to spite their face.

3:50 p.m.

Mr. O'Neil: I can appreciate some of your arguments, but I also feel they have some problems there now and the problems will get worse. It may be that some of these suggestions you have made will help to keep those problems down and help to resolve some of them, but I do not totally agree with everything they do over there either. I think you have made some excellent points and they are points we will all certainly look at.

 $\frac{\text{Mr. Chairman: I have one question about something I have}}{\text{dying to get off my chest. You talk about who is doing better}}$ and we go through some statistical comparisons between West Germany and North America from time to time in terms of unemployment number, inflation, gross national product. There is

no question that on the raw numbers they would appear to be doing better.

Mr. Jecchinis: Yes. Another very important aspect of the German success is they are taking over a growing percentage of international trade, just like the Japanese. This is what worries me much more than anything else. It is not because their economy performs better. They have a stable society. They have good labour-management relations, co-determination of redundancy ratings, low unemployment and, comparatively speaking, no inflation. But what worries me is that they increasingly take a bigger share of international trade. This is what should worry Canada in general and Ontario in particular, because Ontario is the most industrialized province of Canada with problems which relate to international trade.

Mr. Chairman: Sir, we are not reluctant at all to try to learn from any other jurisdictions. If you did pursue this business of making comparative tables though, there would be-I say this with respect--two other numbers that would be, I think, at least as important and as interesting--the personal income tax rates and the percentage of disposable income. Interestingly enough in North America, generally speaking, we have infinitely lower personal tax rates than Europe and infinitely higher levels of disposable income.

Mr. Jecchinis: I am sorry, where do you find that?

Mr. Chairman: I have a bushel of statistics here, with respect, Professor, on the comparative tax rates in France, the UK and most other western European countries, which I could get from my office in three minutes and bring them back here.

Mr. Jecchinis: I do not think the United Kingdom has lower than Canada.

Mr. Chairman: Personal income tax rates?

Mr. Jecchinis: Yes.

Mr. Chairman: There is a world of difference.

Mr. Jecchinis: I am sorry, but I think you should look at them again. Do you mean that Sweden has lower income tax?

Mr. Chairman: It is dramatically higher in the UK.

Mr. Jecchinis: Dramatically higher than here.

Mr. Chairman: That is my point. You said something which triggered that thought--that trade unions are a reflection of the society. I think that is interesting and I accept the validity of that quotation.

I am saying though that the real people out there, notwithstanding their particular political persuasion, in North America generally speaking, have accepted as a near article of faith the fact that they would rather have more of their money themselves to do with as they please than has been the experience

in most western European countries where a different attitude has developed vis-a-vis the individual and the state.

Mr. Jecchinis: I think there there is also a myth of the role of the state in western Europe. A lot of people were telling me, for instance, because Germany has a social democratic government, that the government is everywhere. It is not everywhere. In fact, there is more public enterprise and more government control in France, which does not have a social democratic government, than in Sweden or in Germany.

I think sometimes what they are doing is to improve the social services. They pay for them--there is no doubt about that--but the government is not everywhere. It certainly is not in private enterprise. As long as the lines are drawn between private and public enterprise and they agree to a mixed economy, then the degree is there. In fact, there may be less of a public sector in Germany and Sweden than there is in Canada.

Mr. Mackenzie: I think the observation too in the comments you have just made is at least worthy of putting into the equation. I do not think it is our role right now to get into an argument of whether there is or there is not the difference in disposable income. I think one of the things we would have to do would be to take a look at the services that are provided too. For example, it is only five or six months ago, give or take a couple of months, that the law was changed in Sweden from five to six weeks mandatory vacation by law for all employees—and it does not depend on how long you have served in the work force.

We are a long way away from that here in this country. Those services obviously are a cost. They have obviously decided that is one of the things they want, as well as some of the planning, some of the moving costs, any number of things. I think you have to throw those kind of costs into the equation when you look at the tax figures.

Mr. Turner: I think that is the point the chairman was trying to make, that other people have decided to opt for services paid by the state through the taxation system rather than use it as personal disposable income.

Mr. Martel: One thing you do not take into your equation, and neither does Mr.McCaffrey, is that while the rate of income tax might be higher, if one takes into consideration the various other taxes we have in Canada--and if you want to include medicare as a form of taxation--the rate of tax then is as high. I think it is about 46 or 47 per cent in total as opposed to about 52 per cent with a hell of a lot less services. You just cannot say income tax and disposable income, because while I have money that is considered disposable income, I pay an OHIP premium to cover it, I pay sales tax or I pay tax on tax. That is never calculated in the equation we use in Canada or Ontario.

 $\frac{Mr.\ Turner}{}$: But the point is that in North America it is fair to say that we do have at our disposal more personal income.

Mr. Martel: Sure, but when you buy the services, it

could be. I hear the argument from the insurance industry that Socialists want protection from the cradle to the grave. That is the great line that is always used. Yet all of us then after our income tax go out and buy oodles of car insurance, health insurance, fire insurance, life insurance and we pay like hell for it. But that is not disposable income where I have a choice. I need those forms of protection because of my family. We do not take that into the equation at all. Those services are not provided.

Mr. Jecchinis: In the past, the United Nations would compare standards of living and would compare per capita income. But you cannot compare in certain situations apples with oranges, for instance. If that is the case, then Kuwait has the highest standard of living in the world just because a few families do make anything between \$5 million and 50 million a year. If you divide it accordingly, then Saudi Arabia and Kuwait are the highest. But you have to take into consideration the skewed income distribution and availability in cost of social services when you do make these comparisons. So, again, as far as income tax is concerned, we have to take into consideration a number of other factors.

Mr. Chairman: That is a good point.

Mr. Turner: Professor, I want to thank you for your submission. It has been fascinating to listen to you and in the short time we have had to go over some of your points. There is one thing I would like to know. You have made reference to the benefits available in the European countries. How long has it taken that system to evolve?

Mr. Jecchinis: It was since the middle 1960s. I pointed it out in my introduction where I said that they have adopted measures which conform at various degrees with the ILO recommendation number 199 of 1963. So they really started to do something about it then, some of them just before and most of them just after.

Mr. Turner: So roughly it fits into a 15 to 20 year period.

Mr. Jecchinis: I would say on the average 10 years.

Mr. Mackenzie: Which really knocks you back a bit too, doesn'E it?

Mr. Turner: It does, because we are trying to deal with a problem that is here and now.

Mr. Jecchinis: Some of the less developed countries in western Europe, for instance, did have very stiff compensation that has been in existence for the last 30 years. Greece and Spain are examples of that.

4 p.m.

Mr. Turner: Having regard for the present situation,

what in your view would be the logical steps to work towards the type of recommendations you are making here? Where do we start?

Mr. Jecchinis: I would say statutory and nonstatutory arrangements. In other words, through the collective bargaining process, the government first must encourage the two social partners--I would like to call them that if you do not mind--to include special arrangements relating to redundancy and layoffs, especially with location arrangements and retraining. They are closely related to what is going to happen later on. After all, the objective is not just to compensate those who lose their jobs, but also to make certain they are re-employed. This is important.

Mr. Turner: Exactly.

Mr. Jecchinis: It is important for society and it is important for the econmy and it is important for themselves.

The second thing is that we need some legislation--there is no doubt that we need it for two reasons: first because we do not expect all these problems to be solved through the collective bargaining process and, second, the worst possible, only one third of the labour force is organized in trade unions. So what is going to happen to the other two thirds?

Mr. Turner: I think that is a good point and I think you did make reference to it in your brief. But you are talking in terms not only of organized workers but also unorganized, so obviously there has to be government intervention.

Mr. Martel: Help the unorganized to become organized.

Mr. Mackenzie: You have actually covered the point I was going to make, namely, that in Ontario we are sitting with something a little better than one third of the industrial workers organized.

Mr. Jecchinis: It is about 38 per cent.

Mr. Mackenzie: I am really wondering whether or not that does not mean no agreement basically with the co-operation you are talking about but it means that is an awful lot smaller part of the equation than it is in Europe where there are 60, 70, 80 per cent organized in some of the countries.

Mr. Turner: That is the point I was asking the professor.

Mr. Mackenzie: That means the government has a bigger role to play.

Mr. Turner: Labour has been organized in Europe much longer.

Mr. Jecchinis: Going back again, I gave to the gentleman on my left--and I do not mean politically--Mr. Mackenzie: Opviously not.

Mr. Chairman: They have their moments.

Mr. Martel: Yes, but they are fleeting, though.

 $\frac{\text{Mr. Mackenzie:}}{\text{over there.}}$ There is the centre and there the left.

Mr. Chairman: Please go ahead. I am very interested in

Mr. Jecchinis: What I was saying is that the question of information—I repeat again—consultation and education will be very important. Nevertheless, I think we need some legislation in order to force those who do not like to co-operate to do something about it. We inform both the authorities and the employees of forthcoming closures or forthcoming important redundancies and mass layoffs. Second, we consult and see whether there are ways and means of reducing the number of people to be laid off or to become redundant. We have not even discussed the question of rights related to pensions, and especially laws that they may opt for early retirement.

In western Europe, for instance, some employers do have special insurance to make certain they are covered, not only for redundancy payments as far as the employees are concerned, but also if they do have any special pension schemes that the funds may be tranferred to another scheme and that the funds are available. I am talking about closures.

Severance pay is necessary as well as perhaps tribunals are. You are bound not to have agreement on occasion between labour and management at the enterprise level or over the interpretation of the law. I think a tribunal will become necessary.

For example, even in Germany, with their excellent labour-management relations and the works councils and everything, I have the numbers here of the cases which were submitted, not only redundancies and layoffs but some other important cases, but most of them related to dismissals in general.

In 1975 there were 123,620 cases. In 1976 there was an improvement in the situation and there were 116,000. In 1977, there were 119,000 but it dropped in 1978 to 111,000. So even there there are many cases where a solution satisfactory to both parties cannot be found and have to be submitted to a tribunal. After all, arbitrators must do something.

Mr. Turner: They have the mechanics to deal with it.

Mr. Jecchinis: That's right.

Mr. Turner: You made it sound so very simple in saying that you start by getting management and labour together. You did not use those terms but basically I guess that is what it is all about.

Having regard for the long history of the organized labour union movement in Europe and the close working relationship between management and labour in Europe, in Germany in particular as I understand it, how do we go about it? Mr. Jecchinis: It comes out of necessity and philosophy.

Mr. Turner: You can't legislate it, I don't think.

Mr. Jecchinis: You can legislate some works councils after there is a basic agreement between the trade union movement and the employer's organization. The problem here in Canada is that we do not have very effective employer organizations. Therefore, the employers' organization cannot speak with an effective voice on behalf of employers. That is part of the problem. Who is going to agree about legislation which will introduce some reforms in the labour management relationship at the level of the enterprise? Who is going to do that?

The history of works councils and the participation in the decision-making process with management is nothing new. Mr. McDermott made a mistake the other day in saying that these things started during the Allied occupation of Germany at the end of the Second World War. Historically, he is very wrong. We all need a little bit of education. The works councils in Germany started during the days of Bismarck and worker participation in management started at the time of the Weimar Republic.

Mr. Turner: They have a long history, and we are trying to attack the problem with nothing or very little in place. This has taken centuries to evolve in Europe to its present state of perfection.

Mr. Jecchinis: Yes, but there are several countries that did not have that history and they are applying it today. Look at Luxembourg.

Mr. Turner: That was the point I was going to ask you.

Mr. Jecchinis: The Netherlands did not have it and the Scandinavian countries did not have a history of labour-management co-operation in this area, and they are adopting it now. Finland was the last country that last July introduced legislation related to employees' participation in the decision process.

Mr. Turner: With regard to labour-management relationships, is part of their success in Europe due to the fact that it is a smaller and more compact market, that the countries are much closer and there is an interrelationship at work?

Mr. Jecchinis: The markets are bigger, especially now with the European Economic Community. After all, the EEC is the largest market in the world.

Mr. Turner: I mean in terms of geographical area.

Mr. Jecchinis: I think there is a realization, both in labour and management, that there is no alternative. Unfortunately, western Europe was destroyed in the war and they decided to work together in order to reconstruct their economies, which they did very successfully.

The Japanese made the same decision as well. As I said, they had some very radical trade unions.

Mr. Turner: You do not see the size of this country, being spread out as it is, as making that difficult.

Mr. Jecchinis: That is a difficulty, I agree.

Mr. Martel: Being close to the American border too is a factor. They have a lot of people they can trade with in those various countries. We only have one trading partner essentially. We have all our eggs in one basket.

 $\underline{\text{Mr. Turner:}}$ But we can change that, I think. I do not know how.

Mr. Jecchinis: What I am suggesting, gentlemen--and I would like to say this for everybody--I am not recommending that we take the models from Germany or Sweden or Japan or any other country and bring them here and try our best to do exactly the same as they do.

4:10 p.m.

Mr. Turner: No, I realize that.

 $\frac{Mr}{we}$ Jecchinis: What I am suggesting is that it is about time $\frac{Mr}{we}$ look into their models and try to develop our own, but to learn from their experiences. The last thing we want to do is to do as a well-known British sociologist and economist said, the trouble with certain western countries is that they do not see the writing on the wall before their backs are against it. Now our backs are against it and we have to do something about it. But let's start tomorrow if it is possible.

Mr. Turner: It is a matter of attitudes too, I suppose, to some degree.

With regard to those figures you were quoting from Europe in rather glowing terms as to their experience, are they not under somewhat the same pressures as we are in North America today?

Mr. Jecchinis: They are under the same pressures, but still, relatively speaking, they are doing all right.

 $\frac{Mr}{to}$. Turner: They are doing all right because they would seem to have some of the solutions in place, I guess, to deal with them.

Mr. Jecchinis: That's right.

Mr. Turner: But in actual fact--and maybe this is not the right thing to say and if you don't want to comment on it, fine--it would seem to me that a lot of the problems are due to economic pressures, economic forces that are generated from Japan to a large degree.

Mr. Jecchinis: Partly from Japan, but let's not blame them. Mr. Turner: No, I'm not blaming them. That is not the context I want you to take.

Mr. Jecchinis: It is just partly from Japan.

Mr. Turner: How do you cope with that?

Mr. Jecchinis: Come to an agreement with the Japanese.

 $\underline{\text{Mr. Turner}}\colon$ It makes it a hell of a lot easier for them appare $\overline{\text{ntly--}}$

Mr. Jecchinis: We have to agree ourselves in the western world-the EEC countries, the United States and Canada--what kind of position we take vis-a-vis the Japanese.

 $\underline{\text{Mr. Turner}}\colon$ It seems to me they are running a very tight ship.

Thank you very much. As I said, I have been fascinated by what you have been telling us.

Mr. Chairman: That concludes the questioning. On behalf of the committee, thank you for taking the time to be with us. You have given us some new insights. It was a thought-provoking submission and one that we will come back to between now and the time of our final report.

 $\underline{\text{Mr. Jecchinis}}$: Anytime, $\underline{\text{Mr. Chairman, I am at your service}}$.

Mr. Chairman: I appreciate that.

I have two fast announcements. One is a reminder as some of the people were not here just before lunch. We will meet tomorrow morning at 11 a.m. Mr. Adamson, former director of Manpower Consultative Services with the Department of Employment and Immigration will be with us. He is presently doing arbitration work with the Ministry of Labour. He is our only witness tomorrow morning.

Second, and I think we might be able to deal with this fairly quickly, there had been discussion Thursday afternoon by Mr. Mackenzie. He raised the idea that we ask McDonnell Douglas to appear before the committee. We have an opening available Tuesday, January 20, in the morning. On the advice of the committee, following some discussion, we have at least established that both parties at McDonnell Douglas, union and management, are available to come.

Inasmuch as there was some discussion--I remember Mr. Van Horne and Mr. Mackenzie and others were involved in the discussion--it would facilitate things if there could be a motion to that effect.

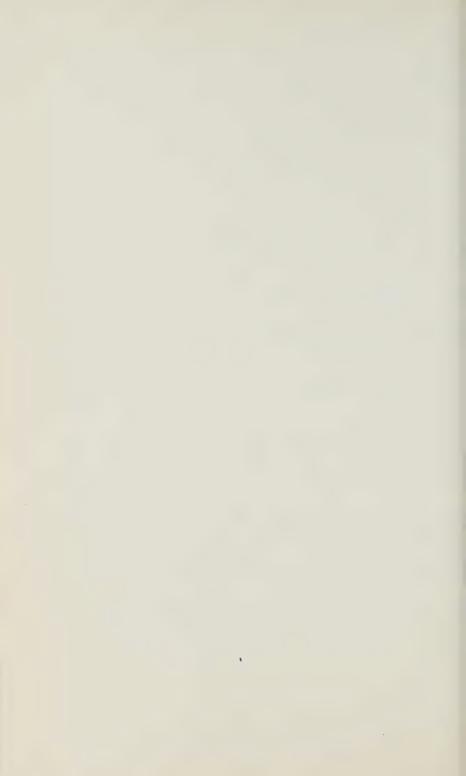
Mr. Mackenzie moves that we invite the management and union

representatives from McDonnell Douglas for the morning of Tuesday, January 20.

Motion agreed to.

Mr. Chairman: Indicate that on your sheet on January 20, in the morning, and tell some of our colleagues. I will try as well to remind those who are not here now.

The committee adjourned at 4:18 p.m.









CAZQN XCZ -80S38

PS-9 & 10 (1981)

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

EMPLOYEE REDUNDANCY AND ADJUSTMENT UAW BRIEF

WEDNESDAY, JANUARY 14, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Clerk: White, G.

Researchers: Eichmanis, J. Jennings, R.F.

Witnesses:

Morning sitting:
Adamson, D., Former Director, Manpower Consultative
Service, Employment and Immagration Canada

Afternoon sitting:
From United Auto Workers:
Gill, J., Director, Citizenship and Legislative
Department for Canada
Gindin, S., Research Director for Canada
Nickerson, R., Administrative Assistant to Mr. White
White, R., Director for Canada and International
Vice-President, International Union

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, JANUARY 14, 1981

The committee met at 11:15 a.m. in room 228.

EMPLOYEE REDUNDANCY AND ADJUSTMENT

Mr. Chairman: Gentlemen, I will call the meeting to order. As you know, this morning we have Mr. Adamson with us. Within a very few minutes a copy of a written submission will be available. It is just being Xeroxed and will be available to everyone on the committee.

Sir, if I may just welcome you officially to our hearings, thank you for coming under the short notice. As I mentioned to you just before we started, we hope, after you have made your opening comments, there will be opportunity for questioning. There are no other witnesses this morning so I think we have a good hour available to us, and to you. Please begin at your leisure.

Mr. Adamson: First of all, Mr. Chairman, I would like to thank you for the opportunity to be heard. I have been away on vacation, fortunately, over the past few weeks. A friend suggested to me that your committee might be interested in my views, since this type of problem has been at the core of my work for over 15 years previous to retirement So I certainly have some experience, I believe, and some views that may be of interest to the committee.

 $\underline{\text{Mr. Chairman}}\colon$ We know of your reputation and background, but I wonder if you would facilitate us by indicating, just for the record, what your title was when you were with the federal government, and perhaps just share with us your present role with the Ministry of Labour here.

Mr. Adamson: I was the director of the manpower consultative service for the Ontario region, and developed that service from a single person, myself, to some 25 officers over a period of about 15 years. We were almost entirely concerned with the problem of redundancy and adjustment in industry due to such things as plant closures and technology and various other matters.

I am now retired. I was retired, I should say, a bit more than a year ago, and I am currently acting as a referee under employment standards when cases develop and also doing some labour arbitration. So my interest in this field is, I suppose, altruistic and purely due to my past experience in the field. That is my interest here this morning.

Mr. Chairman: It would be presumptuous of me to ask a series of questions at the start of your presentation, but I just think it would be fair to point this out, and you could either address it in your comments or certainly it will come up through questioning: one of the key issues before us is the matter of severance pay, and what follows from that, and the committee had the opportunity to hear from two people with the federal

government earlier on in our hearings last week, is the question of how one would actually treat it and the relationship of severance pay with UIC and other existing benefits. I guess that is one key area and f am sure that you would address that.

Mr. Adamson: This previous brief touches on that quite extensively and I would be prepared to discuss it at any length at all. Perhaps, if you would not object, I would like to use this brief as a basis for my comments and perhaps read fairly extensively from it.

I believe that the most important fact that must be accepted in this situation is that manpower adjustment in industry can be effectively carried out only by management or by management in consultation with the union. Only they exercise the decision-making power to effect individual adjustments and assignments, thus it is only through their authority that the desired effect can be achieved.

This, I feel, is the case in all situations of industrial change, regardless of the cause to which the change can be related, whether it is technology, economics, managerial competence or incompetence, bankruptcy, et cetera. In short, in private industry management, and on occasion the union, are the only ones with authority to decide who shall be transferred to or placed in a specific wage-earning job.

At the present time the owners and managers of enterprises are completely free, and in the interests of the economy are encouraged, to make changes in equipment, procedures or products, and in fact to close or move the enterprise as they see fit. I feel that in our competitive economy this freedom must be retained.

However, for several years there has been a developing feeling that the enterprise should assume some responsibility for the manpower impacts created by the changes resulting from these decisions. There has, I believe, even been some development of feeling that their freedom to make changes should be restricted in some way. So far, the types of restriction on management rights or responsibility that seem to have gained support are the requirement for advance notice of change and the payment of separation allowances. Our experience has shown these two measures to hold relatively little advantage for the worker who is to be dislocated and in several cases to actually work to his disadvantage.

Considering this entire question, and in view of our own industrial management experience, I believe that the only possible form of regulation that could make an effective contribution is one that would enlist the skills and authorities of the various parties. The objectives of management are almost exclusively directed towards the making of a profit for the enterprise being managed, or alternatively to a reduction in business losses. Management skills are most effectively utilized when directed towards these objectives. I firmly believe that the only effective type of assistance which can be provided displaced persons is one which can enlist management skills.

The type of requirement which I am totally convinced is the only one workable would simply require that where a worker's job has been eliminated and as a result he has been put out of work for no reason of his own, the employer whose decision it was to eliminate the job should have the responsibility of assisting the worker to adjust into other employment, and until this is done to continue to pay the worker his regular wages.

The employer's responsibility for this type of assistance would expire at the end of one year from the date of elimination of the job, or when the employer, the union and/or government, either singly or jointly through a program of manpower adjustment, were able to locate the individual in suitable employment, whichever is the lesser period. Thus the responsibility of enterprise would only be satisfied when the worker had been readjusted, or when it could be shown that the worker was refusing to co-operate in his own adjustment, or at the end of one year, whichever was the shorter period.

In this connection, when this brief was given on an earlier occasion some of the members of the commission became concerned and confused regarding unemployment insurance. In the situation we are proposing here, the person would remain in employment, he would still be on the payroll, but at the end of one year he then might possibly become unemployed and be eligible for unemployment insurance, so there is no conflict or confusion in this suggestion.

11:20 a.m.

Workers would in effect be kept on payroll until placed in another job. Management would thus have a strong incentive to assist in the adjustment of displaced workers, and the economy would benefit from the enthusiastic application of management skill.

Claims, if necessary, could be applied in a manner similar to a mechanic's lien and would have first call against the residual or continuing assets of the business. In the case of bankruptcy, which usually affects relatively small firms, workers would only be protected by the mechanic's lien type of claim against the assets. Claims for failure to make wage payments could be handled by the employment standards branch, Ministry of Labour, in the same manner that claims for termination pay, vacation pay and minimum wage are presently handled.

Although this type of requirement would place a financial burden on the company which was going out of business or shutting down, I do not see that there any arguments that can be made in support of the corporation whose intended actions are to result in a complete loss to the economy. Furthermore, since many industrial enterprises have been established with some form of community financial support, it does not seem incongruous to expect the enterprise to return the compliment.

There would, however, be ample opportunity for management to reduce these costs to the enterprise by actively and enthusiastically working and co-operating with the government and other parties to establish the dislocated workers in other

employment as quickly as possibly, thus reducing the redundancy wage cost. All government manpower services similar to the present ones providing incentives for planning, training, counselling and placement could be made available and could be employed by management to reduce the costs. In this way I feel that the co-operation and enthusiasm of the management and the application of management skill could be effectively brought to bear on the problem. Management would have a specific objective, that of reducing their cost.

Furthermore, the question of whether to retrain an older employee or to replace him with a younger worker in cases of technological or administrative change would have a better economic balance. Enthusiastic, conscientious and skilful management could reduce their cost of adjustment considerably, while at the same time serving the economy and the dislocated workers in the community.

With such a program, advance notice and separation pay lose their significance. Whether management chooses to make use of the time before the change to plan the manpower adjustments would be an economic decision. Short notice might be more costly in the long run but not necessarily. Nevertheless, management would be free to choose this course in situations involving change in which early disclosure could reduce or eliminate the competitive advantage desired, while in other situations management might give long notice and work hard at developing and executing a manpower adjustment program to reduce the redundancy wage costs. Moreover, they would be in full control of the change, as they must be.

Without active management interest I suggest that a solution to this problem is a long way off. Furthermore, it is somewhat unrealistic to expect corporate acceptance of the moral responsibility unless there is also a possibility of financial gain. Enlightened self-interest is still self-interest, no matter how enlightened.

In addition to the foregoing, the sensitivity to manpower dislocation and responsibility for manpower adjustment would be taken right out of the day-to-day political sphere and governments would have at least a year to effect economic measures if these were necessary. Even the lone employee, at any level in the organization, permanently laid off at short notice for reasons beyond his control would be effectively protected. The question that is often posed: "What is the government doing about this?" would not be quite so sharp.

I believe that any legislation establishing these requirements should by suggestion encourage joint consultation between union and management in the development and implementation of the plan of manpower adjustment simply because this procedure reduces tension and is proven to be effective. Compulsion would not achieve the best results.

It should also clearly remove any redundancy wages, any sinking fund or insurance program which an employer might institute to pay them from collective bargaining, and should expressly prohibit their payment or use for any other purpose or

in any other way, whether arrived at by negotiation with the union, the worker or any other party. If a sinking fund was established by the employer, the balance would be held in trust until all workers had been suitably adjusted, at which time the balance would become the sole property of the employer.

There will be many loopholes to plug; there always are. One of these is the layoff, which never seems to end. I think that by establishing a final period or total period which could be considered as a temporary layoff, this could easily be eliminated.

It may seem strange to discount the importance or the value of advance notice and separation pay in the face of popular support for these provisions. Although advance notice and separation pay seem to hold the advantage of simplicity, they often work to the disadvantage of the worker and are by no means simple in their effects.

We have considered the question of advance notice from many angles and have observed its effect in many situations. Rarely and, in fact, never in our experience has the factor of long advance notice had an effect on the outcome or worked to the benefit of the workers unless accompanied by enthusiastic management activity.

Suppose the required notice or even longer advance notice is given and then the company assumes the posture that they have discharged their responsibility? What if they are wrong in their estimate or change their decision? This latter situation has occurred so many times that workers tend to doubt management statements regarding changes until these actually take place.

In our experience, workers who have difficulty locating work, such as restricted persons, and for whom the threat of job loss is most traumatic, have resigned shortly after an announcement to take lower paid work, only to find that their job did not disappear after all.

 $\frac{Mr.\ Chairman:}{I}$ I am sorry, what does "restricted persons" mean? \overline{I} just do not understand that.

Mr. Adamson: Handicapped persons.

I find that industrial management is frequently unable to predict these changes with sufficient accuracy to guide a worker's career. Certainly in manpower adjustment time is a very important commodity, but there is no certainty that this advantage can be achieved from management predictions. Changes in management predictions or decisions, of which we have seen many, can render early announcements both hazardous and a gross disservice to the worker.

One company in our experience announced the closure and transfer of the facility from Peterborough to Amherst, Nova Scotia, and proceeded part way in these plans. At year-end, the parent company in the United States changed presidents and the new president reversed the decision. So is it any wonder that employees are reluctant to move until the change occurs?

From the employer's point of view advance notice creates instability and low productivity in the work force and many temporary staffing problems. Lump sum separation pay allows an employer to create a very favourable impression somewhat at the expense of the workers. This is a practice mostly employed to induce workers to remain until released by the employer. The effect of a lump sum of money is almost hypnotic to the average worker and similar looms large in the minds of union officers and the public.

11:30 a.m.

These payments are frequently tied to service or seniority and they create the impression that the employer is really looking after the older employees. They are thus said to range up to X thousands of dollars, although there may be very few in the upper ranges. The sums need not be very large either. A separation pay of one week's pay for each year of service is considered generous in today's terms, but a \$250-a-week worker, 55 years of age, with 20 years of service will find much difficulty in budgeting on the \$5,000, less taxes, until he is re-employed. To younger workers, whose transition to other work is much simpler, a windfall of several hundred dollars is just a down payment on a sports car.

In our view, lump sum separation pay has limited value in manpower adjustment. It is either a payment in discharge of what the employer might consider as his moral responsibility to a faithful long-service employee or has the effect of lulling the concern of the workers, the public and the government until he point of cessation of work and income is long past. It delays the impact of job loss, gives the worker a false sense of security and destroys his initiative to seek other work.

I have noted on several occasions that even with older workers the lump sum of separation pay has been spent before it was received. Where the employer cannot be persuaded to release a worker with severance pay, this can inhibit his transfer to another job. Thus an opportunity which may not arise again is lost.

The common feature of establishing separation pay formulae on seniority or service is, I believe, an emotional factor that has no relevance in manpower adjustment. If there is any moral responsibility involved, I believe that the employer who closes his plant or eliminates jobs has just as much, if not more, year-old experienced machinist whom he

months before the closure as he has for the hired 20 years before the closure. Each will have nearly equal difficulty in locating other work and their length of service will be largely irrelevant to the new employer.

In short, I believe that while separation pay based on seniority may be good public relations or even good industrial relations posturing if there is a continuing relationship, it definitely does not improve or aid manpower adjustment.

We have found that our personal reactions to short notice are much the same as others. We feel that if we only had time or a

few weeks wages we could do something. However, this is not the case. Without active management assistance and understanding, we can do nothing until the worker is unemployed, and if the worker gets several weeks' pay at one time when he is laid off, his sudden affluence often overcomes his immediate desire for work.

You will appreciate that I have spent some time considering this subject simply because it has been at the core of my work over the past 15 years. From this I have concluded that the only means which is both simple and effective from all angles is the application of what I refer to as "redundancy wages" legislated in a manner similar to a minimum wage and given first priority claim against residual assets in bankruptcy or any other form of failure.

I think this sort of situation needs to be viewed from the worker's viewpoint, and I believe that this proposal does that. Redundancy is going to be with us for a long time, as long as progress. To suggest that each redundant worker be assessed by some means and then directed and trained into another skill or occuption is really unrealistic.

The first thing the worker needs is a job. He needs to have his dignity re-established and he needs to prove that he can get another job. This is the biggest thing that is facing him because in most situations in industry the job gives the worker his skill.

In most industrial jobs the skills are not transferrable. In most office jobs the skills are not transferrable. You can transfer a typing skill and you can transfer a stenographic skill, but for most of the workers in offices these are only the basic skills. The skills for which they are paid are related to the actual office, and the same applies in any plant. When you eliminate the job you eliminate the worker's skill. He does not have any skill without his job.

The first thing he needs is another job. If you have been in a job for 10 years, you do not expect it is ever going to end. We have been in the situation where we have sat right across the desk from a worker who had been in the job for 17 years and told him that his job was going to be eliminated, and he did not believe it. Regardless of how much he may respect you, he does not believe you. That job is his entire life; it is not going to disappear.

When his job disappears he loses his skill and he loses his self-respect. The first thing he needs is another job and he needs someone else, someone with authority, someone with clout and power, to help him get another job. It is my feeling that the only people who are in those kinds of positions to do that are the management of that company. The management of the company can work actively to help him get another job.

As I said before, in my 15 years of experience we have never had a really satisfactory situation of manpower adjustment unless there was active management activity, really enthusiastic management activity. Without that, the struggle is really a hopeless one.

Mr. Chairman: Have you completed your opening remarks, sir?

Mr. Adamson: Yes.

Mr. Chairman: Then we will begin questioning with Mr. O'Neil.

 $\frac{Mr.\ O'Neil}{them\ off}$ and if it is going to have to pay the shot for so long, then it is going to try to make sure they can find another job for them, so that the payment is taken off of its responsibility.

Mr. Adamson: Right.

Mr. O'Neil: How long do you figure the company should be responsible for paying workers that they have laid off? Would you say indefinitely?

Mr. Adamson: I think a year.

Mr. O'Neil: A maximum of a year.

Mr. Adamson: Our own experience has shown that within a year all what we might call employables have been re-employed.

Mr. O'Neil: Are you saying they should be paid their full amount of pay or only a certain proportion of it?

 $\underline{\mbox{Mr. Adamson:}}$ I think they should be retained on payroll at the $\overline{\mbox{Ir}}$ regular pay.

Mr. O'Neil: Do you think that gives them full incentive to go and find something else right away, to work with management or other people to get a new job, if they are getting their full pay and know they are going to get it for a full year no matter what else happens?

Mr. Adamson: You do have that problem, but I have also proposed that you have a joint consultative committee of management and union or management and workers on this. Those committees, believe me, can make a decision as to whether or not a person is really looking for a job very quickly.

Mr. O'Neil: Yes, but do they?

Mr. Adamson: They do.

Mr. O'Neil: I am just worried. I think you used other examples in your brief where, if you give them so much money, there is not a desire for them to get out and get a job right away.

Mr. Adamson: That is a sudden affluence. There is a difference between getting your regular weekly pay and suddenly being handed \$2,000 or \$5,000.

Mr. O'Neil: Are you also saying if the company were to pay them for a full year that at the end of the full year, if they have not found a job, then unemployment would take over at that time?

Mr. Adamson: That is right.

Mr. G. Taylor: In your brief, in considering the one-year period, and realizing you are working at the federal level, do you include in there all the provincial provisions of notice, et cetera, in addition to the notices under the provincial legislation? Or are you including the one year as the total outside frame and then the provincial provisions that are presently in existence would ride within that one-year time frame?

11:40 a.m.

Mr. Adamson: This is a provincial committee. This is a provincial problem basically. I was thinking that the year would be the outside figure and would cover everything.

The need for notice would disappear. A company could eliminate a job tomorrow, but they would need to retain that person on their payroll until they got him into another job, either within their own corporation or some other job that was satisfactory to him, unless it was obvious that he was not interested in finding another job.

There are those people, we have to appreciate that as well. There are people who have worked in a job for 20 years and they thank God that the company has shut the plant down because now they are going to have a rest. They have never been able to bring themselves to the point of quitting to have a rest, but since some one else has made the decision, they are pleased to have a rest.

Mr. O'Neil: In regard to this one year's pay, what sort of firms are you talking about? Are you talking about larger companies, multinationals?

Mr. Adamson: I am talking about any employer.

Mr. O'Neil: Any employer at all. Have you ever owned a small business?

Mr. Adamson: I do not think in a small business that they specifically eliminate the jobs very often.

Mr. O'Neil: In a lot of them they do. That is why I just asked you whether you have ever been in business for yourself where you have to meet a payroll and the sales slow down or other things slow down and you do not have the money to continue paying people. What are you going to do in a case like that?

Mr. Adamson: We are not talking about an economic slowdown. We are talking about the elimination of a job.

Mr. O'Neil: There are a lot of small companies today who have had to eliminate jobs because of the slowdown in business. I take it you are saying that somebody like myself in the real estate business, if there is a certain downtrend in sales of new houses or resales, and you have two or three girls working in your office and you have to lay one of them off, you would be telling me that I would be forced to keep on that one person or however

many I had to lay off because of lack of business. You would be telling me that I would have to keep that person on for a full year at full salary when perhaps the small business cannot afford to do that. I do not agree with you. I do not think you know what you are talking about when you talk in that area.

Mr. Adamson: I think I know what I am talking about, sir. I am not talking about what you are talking about. What I am talking about is the elimination of jobs--

Mr. O'Neil: That to me is the elimination of a job. #hen I asked you about that, you said yes, you would take that in that category.

Mr. Adamson: When the economy changes and you are going

Mr. O'Neil: Maybe, unless--

Mr. Chairman: With respect, Mr. O'Neil, we have ample time for questioning.

Mr. O'Neil: I am not finished yet, Mr. Chairman. I would like to pursue this point. What I am saying is that if a small businessman had to lay off certain people and cut back in other areas too--whether it is advertising or cost of cleaning or whatever--you have to cut back to stay in business. If you do not make these cuts, you may not be in business yourself in a year's time and have to lay off all your people.

I do not go along with your reasoning. Maybe a multinational which has all sorts of assets back in the States or some other country or in other parts of Canada, can keep things going because of their cash surplus, but in small business, I do not think you have thought this thing out correctly. Either that or you have not been in small business where you have had to meet a payroll, where you have had to look at the bank balance and the amount of money you may owe and all these other things that you have to consider.

I do not think you are right in what you are saying if you relate it to small business today. That is one reason we are suggesting "below a figure of 200." Perhaps we should even have a look at that, either lower or upper.

I would like your comments on this. I do not think you have run a small business. I do not really think you know the problems that a small businessman today has to contend with in the way it is.

Mr. Mackenzie talks about the number of years he has been in the labour movement, but again, I do not think some of the people on this committee have had to face this; to lie awake at nights to wonder how they are going to get the money the next day to meet their payroll or to pay their rent or to pay the bills they have.

Mr. Adamson: I am quite familiar with the problem you are speaking of, but I still feel your interest, as the manager or owner of a small business, should be much more enthusiastically

concerned with relocating the workers you displace.

Mr. O'Neil: I agree. I would say any employer, if he has to lay somebody off for certain reasons, the economy or whatever it may be, should certainly help that person to get another job. You are saying that we should carry them for a full year at full salary, and I am saying that small business people cannot afford to do those kinds of things with the economy the way it is today.

Mr. Turner: Or any other time.

Mr. O'Neil: Or any other time either.

Have you ever run a business? Have you ever been in business yourself?

Mr. Adamson: Yes, I have. I have run a business.

Mr. O'Neil: And you did not run up against those kinds of problems?

Mr. Adamson: Certainly I did. I did not last very long in business. That is not the area where my expertise lies.

Mr. O'Neil: But you see, sometimes people who are in government or related to government have a tendency to give away all sorts of things without figuring out where they are going to come from. Government does not have to worry. They run a deficit and that is where they get the money, but the small businessman cannot do that. His credit is cut off or he is put out of business if he cannot meet his expenses.

Mr. G. Taylor: There is a corollary to that. Many small businesses are funded straight from the bank. Whether you want to call it a corporation or partnership or otherwise, you run many months on overdrafts. If you were to consider overdrafting to assist employees, and Hugh O'Neil's area is no different from mine.

There are many that have anywhere from 20 to 80 employees, say, and when you are a small corporation, the individual owner, whether it is a corporation or not, he is on the bank with his personal signature. There is the possibility of his running a bank overdraft for a full year with your recommendations, which would drive many of them out of business instantaneously and totally bankrupt them. How do you fit that into your picture?

Mr. Adamson: I think if the entrepreneur is simply going to run scared and get out of business on the basis of this suggestion, then his entrepreneurial drive and skill is not all that great to begin with.

Mr. O'Neil: Oh no. There are a lot of business people today who are really scrambling to meet their expenses and stay alive. They want to stay in business, they want to keep their employees, they want to keep going and they would like to hire more employees. But with the economic situation, they cannot do it. They are pretty close to the line. With what you are

suggesting, you could help bankrupt a lot of companies and a lot of small businesses in this province if we were to follow your advice, and I say that respectfully.

Mr. Turner: It is just that we do not have the resources.

Mr. Adamson: How many businesses are intending to eliminate jobs and go out of business today? No one knows, but you do not intend to do that, sir?

Mr. O'Neil: I hope not, but I am a well established firm. There are things that you have to look at though. What I am talking about are the firms that have not been in business that long and want to keep going. They are having a really tough time today and they are so close to being either bankrupt or closing their doors and laying off all their employees. If you place certain restrictions on them, you are going to help to do that.

Mr. Turner: One thing you have to keep in mind--.

Mr. Chairman: Mr. Turner, please complete your question and then we will go back to the list.

Mr. Turner: Just along the lines of what Mr. O'Neil has said, the operators of small businesses, before they lay off people tend to do all kinds of things in order to save a position. By the time the decision is made to lay a person or persons off, in all likelihood that is the last resort. In all likelihood they have used up most of their resources before coming to that decision. I would respectfully submit, by the time that decision is made their backs are to the wall.

11:50 a.m.

Mr. Cureatz: Just a supplementary on that, Mr. Chairman. I have been trying to get in for the last five minutes.

Mr. Turner: I am sorry about that.

Mr. Cureatz: That is all right. I have problems similar to those expressed by my colleague. The idea seems to be interesting. You are stating that this severance pay business isn't the be-all and end-all, giving that lump sum; that the really important aspect is job retention or switching into other employment.

Notwithstanding the problems of small businesses, et cetera, but certainly in terms of my focusing in on the problem of severance pay versus an alternative that we have to think in terms of severance not being the answer, but in terms of making some kind of switch. John or Hugh, what difference does it make that the employee gets one week's pay for every year of service? If that money has to be there somewhere and if it is taken instead to be used to stretch out the job and in trying to place them, it is to my mind accomplishing the same thing.

Those are my observations in terms of the idea I think you are trying to stress. I think the variables, be it a year or six

months or whatever, are detailed, but I find the thought very interesting.

Mr. Adamson: The finite term of a year, of course, is just that. It is not necessarily special. The point of the small business is that small businesses don't appear to have too many long-service employees to begin with. When they start to contract—

Mr. O'Neil: Small business people do not have people work for them for a long time?

Mr. Adamson: They don't have too many.

Mr. O'Neil: I certainly disagree with you on that. I could take a survey of the small businesses of the towns and cities I come from. Some of my employees have been with me close to 20 years. I could take you into retail stores and every place else and there are very true-blue employees who have been working for them. Again, I don't agree with that comment.

Interjection: That was a slip of the tongue, true-blue.

 $\underline{\mathsf{Mr. G. Taylor}}\colon$ That is why you have been in business so long, $\overline{\mathsf{Hugh.}}$

Mr. O'Neil: What did I say?

Mr. Chairman: About true-blue employees. I have seen him down in his riding with the red ensign in one hand, saying good things about Bill Davis.

Mr. G. Taylor: With his true-blue employees.

Mr. O'Neil: I won't get into a debate on that.

Mr. Chairman: Gentlemen, this is stimulating and obviously the response shows it, but try to stick to the list, in deference to our guest. Mr. Ramsay, Mr. Mackenzie, just indicate if you would like supplementaries or to be on the list.

Mr. Ramsay: Mr. Adamson, when you were responding to Mr. O'Neil you made a comment, I think, referring to the success of manpower committees. Could you elaborate on that? That is an initiative that is going to be reinforced in the province, and I would like to have your thoughts on it.

Mr. Adamson: The committee has proved effective mainly where there is enthusiastic management support. Where there isn't enthusiastic management support, it is extremely difficult, almost impossible.

Mr. Ramsay: We have had evidence of that already before this committee.

Mr. Adamson: But the committee itself reduces tension because the workers feel at least someone they know is trying to do something for them.

Mr. Ramsay: You feel it is a worthwhile tool?

Mr. Adamson: Yes, quite definitely.

Mr. Ramsay: I found your brief intriguing but like the other members who have spoken, I have reservations with it, except for the one factor that I think any responsible employer has a responsibility to try to assist his employees in relocating. But not to the extent you suggested here.

Can I just ask you for your thoughts with respect to severance pay? That is one of the major problems confronting us.

On page seven you indicate that lump sum separation pay allows an employer to create a very favourable impression at the expense of the workers. Paraphrasing your words, it just doesn't really seem to have any effect. You do not feel that severance pay is--

Mr. Adamson: No, it doesn't have any benefit at all in our view. As a matter of fact it retards the adjustment process, the process of getting the worker into another job or encouraging and helping them get into another job, simply because a lump sum of money is sort of hypnotic to some workers. If they haven't spent it before they got it, they feel it will almost last forever. They are not really concerned about getting another job.

If you are over 40, have worked mainly in the same plant all your life and your skills are really attached to that plant and you have to find another job, you have to do it as enthusiastically as possible. If you have people helping you do it, that is fine, but the main effort must be the workers. If he has a lump sum of money in his hand-he probably needs a vacation but that is the least time he can afford a vacation. He can't afford it then, but he needs it and he may take it occasionally.

Mr. Ramsay: Can we call severance pay by another name? Can we call it transition pay?

Mr. Adamson: Transition to what? To another job? This is what it is intended to be, but finding a job, as all of you know, is a very difficult process. It is harder than doing the job when you get it.

The person has to work hard at this. He can't live off his money, so to speak. Very few workers we have run into have the intestinal fortitude and the personal discipline to find another job quickly when they have lost one, if they are given a large sum of money.

Mr. Ramsay: But if I interpret correctly what you are saying, you are stating that as a deterrent to getting another job and therefore they should not get it. I believe in the principle of severance pay. I am not sure I agree with the amount or some of the methods we have discussed in this committee, but I believe that if a man has given faithful service over a number of years and is suddenly out of work, there has to be some assistance given to him over a transition period.

I think you are suggesting, sir, that perhaps we should penalize these people or keep them lean and hungry so they will go right back out there and find another job. It is not always easy to find another job, particularly in some of these small communities where people are being let go--or even a large one like Windsor or other places.

Mr. Adamson: This suggestion has less popularity with workers and unions than with management, obviously. Nevertheless the facts are pretty clear on this. When you provide a large termination pay, the drive on the part of everyone concerned to find jobs and get these people into other jobs is greatly reduced, not only on the part of the worker himself, but on the part of management, on the part of government—on everyone's part.

A phrase you frequently hear is those workers have been well taken care of. In other words, they have been written off.

 $\frac{Mr}{will}$ Ramsay: I know other people want to ask questions and I $\frac{will}{will}$ close, but maybe with an observation. I believe in the principle of severance pay and I believe in it for another reason than just transition. I believe in it as a reward for a good and faithful employee of long service.

12 noon

 $\underline{\text{Mr. Adamson}}$: That is a different area altogether. If that is the purpose of separation pay, then I think it is being given at the wrong time.

Mr. Mackenzie: Your brief is intriguing and there are a number of things I would like to ask you about it.

I am inclined to think that the reward for good and faithful and long service is a decent pension plan that allows you to live with some dignity when you finish your service. When you are young, when you are buying a home, when you are raising a family--I know in the days when I had the lesser jobs were the times when I could quite often have used a few extra shekels.

Although I do not discount totally the argument that I get from my friend, Mr. Ramsay, on the recognition that may be there in severance pay, I must confess that my emphasis has been on severance pay and not because I ever thought it was all of the answer.

I like your idea of responsibility; I like your idea of continued wage payment, because a form of that exists in at least one or two other countries in the world and countries that seem to be doing better economically than we are, both in terms of employment and in terms of managing their economy. I do not think they have any more resources; as a matter of fact, they do not come anywhere near this country. We are blessed in a lot of ways. Our fault is probably in the bloody planning we have done or how we have managed the resources.

I do have a couple of questions. I guess most of all you not only reject severance pay but you reject the advance-notice

provisions pretty strongly in your brief. You get an idea of how little of a guarantee we have when you get the reaction of small-business people.

I understand, I think, a little bit of the concern they are expressing. I just wish their defence of private and free enterprise would say to us occasionally, "We think there is the ability there to find jobs for people if we have to let them go;" or, "We would agree once in a while to some better provisions for"--what most of us don't think is the best answer--"state assistance if we are in this kind of position."

I quite often find the same defenders of small business not being very quick to agree to increased pensions or allowances or benefits or what have you. I find that quite often: You are somehow sort of a welfare bum or not doing your best, if the firmhas to give you some assistance. I guess I got sidetracked and I did not mean to.

What I am concerned with is that I think the question of being able to provide jobs in our economy is-- To some extent we have been sort of mortgaging our future in this country with the lack of control, with the increasing deficit position in terms of trade, with the decision-making more, obviously, in branch-plant-type operations than necessary. They employ an awful lot more people than many of the smaller or strictly Canadian operations. It seems to me that our ability to provide jobs is going to require the planning that longer notice and some form of justification may give.

I am wondering if, in saying: "Okay, as long as an employer takes the responsibility to pay the wages for one year, because there is additional pressure on him then so he does not have the wage bill or help find a job for that particular worker;" if we are not, then, saying, "You have still got the right to manage your business and close or not to close strictly on your own say-so." It may be the only firm in the country producing that manufactured product; or it may be we could be self-sufficient, but are not going to be if this kind of operation or these kinds of closedowns continue. It seems to me that you might be negating the possibility of us doing some serious planning in terms of is there justification for this closure.

Are you telling us that, yes--your brief obviously says it--that we need a hell of a lot more protection for workers, but we still have to accept, without question, the private enterprise system that we have as being the best answer?

I respect that opinion if it is there, but what I am saying is that I think there are an awful lot of warning signals on the horizon that say we may not have that economy or the ability to manage our own resources or the ability to live within our means, to look at self-sufficiency, which may require certain products be manufactured in this country. I am not sure that advance notice protects us in all of that, but it seems to me both advance and justification may be effective tools in deciding whether or not somebody has a free hand to go out of business if they wish.

I am sorry I was so long on that, but I think there is a broader question here as well that has been concerning me all through these hearings.

Mr. Adamson: This is my feeling regarding advance notice and separation pay: This is a totally free hand to go out of business without any concern other than the lump-sum payment and the notice. If you give advance notice, that's all you need to do.

Mr. Mackenzie: By the way, I don't think that's all we need to do. But I am thinking of it in terms of being able to do it in planning.

Mr. Adamson: No, but I'm saying that this is what is required. If you give the notice, then that's all you need to do.

That does not relocate or readjust workers. They are still unemployed, regardless of how much notice--

Mr. Mackenzie: But you see, if we required a justification and if we had the advance notice where the machinery could be set up that that is necessary, does that give us some additional ability to influence the decisions?

Mr. Adamson: My only reservation on that is that it is very difficult to second-guess anyone else's industry or anyone else's business. They know their business better than you do. I would doubt very much there is very much security in a government body or other body going in and saying, "This business should not go out of business; this is a viable business and you should be operating it economically," et cetera.

Unless they are prepared to buy it, unless they are prepared to put the management in who can turn it around and make it operate economically, then I do not think they would have any real business there at all, because the operator of a business knows his business better than anyone else.

Mr. Mackenzie: Your proposition, in effect--if you want to oversimplify it--gives us 52 weeks of pay, with the provisions that, hopefully, you are going to influence the skills that are there in management to find a job otherwise. But if not, it is the same thing as though he had 52 years of service and that is a pretty damned good severance arrangement.

Mr. Adamson: It is the same thing as saying that he gets 52 weeks of (inaudible), that you are going to give him a separation allowance of 52 weeks' pay, which you are not going to do at all. The objective of picking a year, let's say, of responsibility is a year of responsibility.

Mr. Mackenzie: And that idea I accept. It has real merit.

Mr. Adamson: The objective of doing that is simply to provide some measure that would encourage the enthusiastic application of management skill towards the relocation of workers, which Mr. O'Neil would give approval. But every management would not do that. Whereas, if you can provide some incentive for them

to give it, they are the only ones who can really help this worker find another job because they are the only ones who know how good a worker he is and what kinds of things he can do.

Mr. Mackenzie: I reiterate, I like the idea because it is a charge where I think it should be; it does have the incentive, hopefully, of provoking them into serious actions to find other employment, getting somebody placed again.

But in terms of the overall view I was stressing: I am not sure it is the best example, but the Bendix plant, where not only had it been modernize—we had the manager tell us that; where he thought it could be more profitable and it was; where it was making a darned good profit. But the international decision was that they could make even more by switching that particular operation—I forget where it was in the States—at that particular time. It surprised even the Canadian manager, but he said he could not disagree with the argument that, yes, there was a larger return still to be made on that.

12:10 p.m.

Now there are some repercussions from that, as I see it: we are now importing what was produced in a plant that was viable, was profitable, and was recently updated. It seems to me that we may have to say that you do not have that kind of freedom, totally.

That may not be the best example--I understand all of the problems in the auto parts field--but it seems to me that we are not in control. There may be other operations in which we are going to find in two, three, five years down the road we are really in serious trouble because we no longer have the manufacturing capability in this country.

Mr. Adamson: In Ontario we have that situation, which is another facet of this very large problem and of the branch plant situation. The simple decision, made in New York or Oshkosh or something like that, to close a plant in Ontario might be taken a little more carefully if it was realized that the function of management in that situation was to find employment for all, these employees who were to be displaced.

Mr. Mackenzie: My worry in a situation like that is that I think with that outfit, if I am not mistaken--I am not sure if that was the one, I forget the corporate empire, it was one of them anyhow--there were some 600 or 700 plants involved. I have a hunch that in a case like that, if they knew the guidelines in advance and that was still their decision, they would pay a year's wages without too much worry or consideration, and we have the long-term effect that I was worried about even though we at least have one year's wages in terms of the employees. I am not sure there would be that much effort put into finding other work for them.

Mr. Adamson: I do not think management would pay money if they had some opportunity of avoiding it. If they could work in some fashion to avoid paying money, then they would do so.

Mr. Mackenzie: Just to switch it slightly, when you talk about paying the wages until you find alternative employment for a person, I take it that you were including all of the benefits and UIC payments or anything else for that transitional year, so that they quality.

Mr. Adamson: Anything on payroll.

 $\frac{Mr.\ Mackenzie:}{that\ one\ of}$ the reasons for suggesting this kind of an approach is that it can be done best by our competitive economy and that this freedom to operate must be retained. I am wondering if, in many, many areas of our economy, we really have this kind of competition.

It seems to me that the cases we have had of manipulation and price fixing are so legion today that I really wonder if you can make the argument that we have a competitive economy. I suspect it exists more at the small business level than it does with the larger concerns, but is there not a danger that you are living in a situation that may have been true 10, 20 or 30 years ago, but which does not necessarily exist today.

Mr. Adamson: I think we have many oligopolistic situations, but nevertheless I think there is still, on this continent and in Canada, a competitive economy of a type. We have much more government involvement in Canada than in the United States, but I think we still have a good deal of competition in Canada. Certainly there is a competitive atmosphere in the management echelon; whether they are in a competitive economy or not they believe they are.

Mr. Mackenzie: I agree with you on that, they believe they are, but the competition, in the bigger firms that I found and even some I have talked to, usually relates to how they can get a bigger chunk of the business and how they can really be dominant, and I am not sure what happens once that is achieved. I see it to some extent in the steel industry, and I think it is legion in the oil and gas industry and so on.

When you say that you have to enlist the skills and authorities of the various parties in taking a look at the industrial management--I am looking at the last paragraph on page two--you have stated just previously that what has happened up until now indicates that the unions have almost no power, who are you thinking of as the various parties there, management and the government?

Mr. Adamson: Management and the union, because when you are transferring people or you are placing someone in a job, you often need the union agreement to do it that way.

Mr. Mackenzie: I also wonder at your defence of it. I find it a little bit difficult when I look at page five in the second paragraph.

You make a rather flat statement that it is somewhat unrealistic to expect corporate acceptance of moral responsibility

unless there is also the possibility of financial gain. I am not really sure that says a hell of a lot for the corporate good citizenship of which I think there is an element here in trying to place workers and take that responsibility. I am just wondering how much we can do on a voluntary basis.

Mr. Adamson: I think this depends entirely on the individuals. There are individuals in senior management who naturally have discharged their own moral responsibility, but a corporation is a nonhuman person--

Mr. Mackenzie: That is one of the things that bothers me.

Mr. Adamson: --and anything the corporation does is based on those of its policies that have been effective. These policies are not established, usually, for moral values.

Mr. Mackenzie: Last, and what I started out with I guess, in terms of the advance notice, I am going to page six of your brief. You say, "Rarely, and in fact never in your experience--"or in our experience, taking it from your work in Manpower--"has the factor of long advance notice had an effect on the outcome or worked to the benefit of the workers, unless accompanied by enthusiastic management activities."

I suppose we are hoping there that the fact they might save some money would lead to that enthusiastic management activity; but I am wondering also if one of the reasons that it has not had any real effect is that there has been no effort in this country, it seems to me, or damned little effort, to really require justification of a corporate decision in terms of closing, and there has been little--I think that has been fairly clear before this committee--little real concern with the effect on the workers of the community.

If we had the requirement for justification and some responsibility for workers and the community, whether it is ideas that we have come up with or more along the suggestions you have made to us, could we be so quick as to say that advance notice has no use or no value?

Once again, I suppose I am thinking in terms of allowing us some lead time to take a look at the reason for the decision and whether or not that is an industry that should be allowed to disappear. That begs the question of who is going to get involved, government or anybody else, I understand that; and I am not particularly looking for massive government takeovers, although the joint venture idea I have no fear of at all.

Mr. Adamson: Frankly, in my experience in wrestling with this problem, I cannot see the possibility of legislating moral responsibility. I cannot see the possibility of legislating the right to go into a business and determine whether that business is being properly run or whether it is viable.

I still feel that the owners and operators of a business, at that particular point, know more about its economic possibilities and its difficulties and problems, et cetera, than anyone who

could be sent in. This does not mean to say that if the business is going at a proper price someone could not buy it and run it economically; but again, that is still another entrepreneurial decision, an action. I do not think you can put together a government team that can assess an industry or assess a company and determine what it should do to make profits, reduce its losses, pay off its debts and so on. I do not think you can do it.

Mr. Mackenzie: While there was a lot in your brief I like, I think that is probably the point where we have some difference, Mr. Adamson. I think there is a national interest that has to be considered in some of these decisions, and I guess that is the only point of any real difference with what you are telling us in this brief.

Mr. Adamson: I do not think there is any question there is a national interest; it is a question of how--

Mr. Mackenzie: I think that may interefere with the entrepreneurial interest that you seem to be defending; that is the only thing I am saying.

Mr. Adamson: I am just trying to make use of the entrepreneurial skill and enthusiasm to achieve some benefit for the person who is being displaced.

12:20 p.m.

Mr. Mackenzie: Although some of my colleagues may disagree, I have a fair degree of respect for that as well; it is just that I do not think that the entrepreneurial skills have been used in the national or worker interest in this country, and that is my point of departure.

Mr. Martel: Just to pick up for a moment: companies choose to close down, you said corporations faced with financial loss, but according to some of the material we have looked at they have not been losing money.

Mr. Adamson: But the point at argument here, Mr. Martel, is that they would reduce their loss. If they are responsible to help these workers relocate, or pay them for a year, then rather than pay them for a year they will reduce that loss by--

Mr. Martel: I did not phrase my question correctly.

You said corporations faced with financial loss grasp quickly at the most direct method of reducing costs. In some of the cases we have studied, they in fact have not been losing money but it is a rationalization, maybe, of their production and a determination to supply from offshore.

I am just wondering, has your experience been that companies close down strictly because they are losing money or is it in fact because they can go somewhere else and make more—they relocate within the province, for example, from a high wage area to a low wage area; or they retrench and go back to the United States and supply from a larger plant or another plant to a small Canadian

market. I am not sure there is a rule of thumb, but what I am looking for--actually, outside of a couple of firms, I am not sure that we saw too many companies that were facing financial loss as a result of their decision to relocate.

Mr. Adamson: No, I think that was just one of the items. The reasons that are given are endless, and one very sad one that we ran into, as far as the Canadian economy is concerned and Canadian industry is concerned, was simply the capricious decision of one man in the United States. He just wanted to close the plant in Canada, period; that was all, no reason.

Mr. Martel: That is the problem I am trying to wrestle with. I cannot see a company losing money; because if you are going to lose money you cannot stay in business, so a company has to make a fair return in order to stay in business. I am grappling with the problems of those companies which-not because of a loss position, although they do it for financial reasons, I suppose, in that they can make more somewhere else--what I am trying to grapple with and trying to formulate a policy--if I could digress for a moment, while I am intrigued by what you are saying here, with a million people unemployed I do not know how an employer is going to go out and place 250 workers in a one-industry town in orthern Ontario.

Mr. Adamson: It is very difficult.

 $\underline{\text{Mr. Martel:}}$ Yes, so that no matter what the corporation there decides to do, it will not succeed in placing people, so they will not reduce it.

What I am grappling with is that the decisions that are made frequently have nothing to do with financial losses. How do we get at that sort of problem? That, I think, is why Bob is saying maybe government has to look at it--I am not talking about crown corporations or anything in particular-to get a handle on what is going on in order to determine whether they should close. That is where the morality enters into it.

How do we investigate and then say, "You really have no real good reason." In the case you just mentioned one individual decided just to shut the plant down and to hell with the employees. How do we move in those situations to prevent those massive layoffs that are occurring?

Mr. Turner: To make sure it is legitimate.

Mr. Adamson: Industry has a single line of authority direct from the owners and from those charged with running the company. That line of authority is going to prevail regardless of what you do. You are not going to be able to go in and say, "You cannot close this plant because it is economic, you are not losing money and that is that," because he will say, "I am going to close it anyway."

 $box{Mr. Martel:}$ That is where I get caught all the time, when I use that as my rebuttal, that government cannot afford to allow that plant to close. The only recourse is two options, I

guess; you could entice someone else to buy the operation or a crown corporation. They say, "There you are, socialists, you want to nationalize everything." But the costs become astronomical to the state to allow plant closures. What is the handle for us, the recommendation for us to prevent that from occurring?

Mr. Van Horne: Excuse me, Mr. Chairman. I am wondering if Mr. Martel is hedging on the obvious-justification concept that has been put on the table occasionally.

Mr. G. Taylor: When does be not?

Mr. Martel: But even if they prove justification, let's say, they determine it and the guy says, "I am just going home." What handles can we have--

Mr. Van Horne: I wonder if you would include in your question to Mr. Adamson, Elie, if he can see any merit in justification; that is, management having to justify before a committee of the Legislature, community, union, whatever that committee or group might be that it would have to make the justification to. Can you see merit in that, Mr. Adamson?

Mr. Adamson: I don't think my expertise really allows me to answer the question. From the standpoint of the operation of business, I would have to say that I don't see any merit in it because the owners of the business can justify their decision to close. It is not very difficult to do that if you have to justify, even if it is simply the decision of a single individual as in this case I referred to.

To go further with that particular case, we endeavoured to have the employees buy the company and in the course of going through this procedure, the general sales manager was walking around with orders in his pocket and we were still not able to achieve it because there was a long delay in arriving at a purchase price.

Mr. Turner: They lost their market position.

Mr. Adamson: They lost their market position, but actually we did not get very much support from government for this, although it was an extremely important thing. There are some people who are in some positions in government who are examining industry and then determining that certain industries should disappear in Canada. I don't know how these decisions are arrived at.

Mr. Van Horne: Sorry to interrupt, Mr. Martel, I just wanted to get in a supplementary.

 $\underline{\text{Mr. Martel}}\colon$ The difficulty for us is while your plan is intriguing, the final cry from the workers is, "We need a job."

Mr. Adamson: Exactly.

Mr. Martel: How do we ensure their jobs? Some people say the state should not intervene, but I don't like paying unemployment insurance for a variety of reasons. It should be a stopgap measure between jobs, but today it has gone far beyond that. People can't live on it, they cannot buy, your economy suffers tremendously because a million people on unemployment insurance do nothing but pay the rent and buy the groceries.

But if the state is not going to intervene, what do we do? Just allow a million people to continue to go on being unemployed because we do not want to interfere in the free enterprise system by something that is state controlled?

Mr. Adamson: I think you are asking me the question. I think the economy would be in a much worse condition if there was not unemployment insurance, because there is a tremendous transfer payment. It is welcomed, believe me, by the oil companies because the person who is unemployed still drives a car.

12:30 p.m.

Mr. Martel: But when you go on paying that out year after year, as we are doing, imagine if you had taken that and invested it in jobs.

 $\frac{\text{Mr. Adamson:}}{\text{It is a transfer payment of a type}}$ and I think it maintains the stimulation in the economy.

Mr. Martel: But you don't buy anything else though. You do not buy a fridge, a stove, a TV or a record when you are on unemployment insurance. The cost to society annually for a million unemployed has been staggering in the past three years. If they had pumped that into investment--

Mr. Turner: Investment in what?

Mr. Martel: That is what we are grappling with. I suppose there are a number of industries we could examine, a number of areas of weakness in our own economy, and start to plough money in if no one else is going to do it, if the state ploughs the money in, if need be, either totally, in venture capital, co-ops or you name it. I guess I continue to be mesmerised by the fact that we pay out these tremendous sums. We don't know the total cost, even when we tabulate unemployement insurance. Yet we are getting nowhere, except that people exist.

Mr. Adamson: Without question the situation in Canada is much better than it is in most other countries from the standpoint of daily living. A good deal of that stability is achieved by unemployment insurance. I agree with you that there is a tremendous loss in manpower production represented by the number of unemployed, but again it takes entrepreneurial skill, Mr. Martel, to employ them.

Mr. Mackenzie: We have also been highgrading our resources and our great wealth, and that is accomplished in some cases, by entrepreneurial skill. We have not done the planning. We may not be able to continue indefinitely the level of living we have enjoyed, even with the problems we have in the country.

Mr. Martel: This is a richer country than most. I guess I just continue to be dismayed at what goes on.

Let me just ask you one final question. In your first sentence, you say, "Concern for redundant workers, so popular, has largely dissipated since the responsible authorities have moved in many jurisdictions to legislate warning systems." That is not in this country.

 $\underline{\text{Mr. Adamson:}}$ In Ontario. In Ontario you have legislated the warning system which is warning or notice of layoff. The advance notice is what I am talking about. It is a warning system.

Mr. Martel: Sure, but what has it done outside of issuing a warning that somebody is going to close down four months from now?

Mr. Turner: What do you expect it to do?

Mr. Adamson: What it has done is to advance the impact. In other words, if early notice is given, then people become concerned about the closure of this particular plant eight weeks or whatever it is earlier. By the time the plant actually closes, that, to some extent, has dissipated. Other problems have come over the horizon.

Mr. Martel: In fact we have told the worker he is going to be laid off. In how many instances have we been successful in reversing the decision to close the plant? Consequently we still end up with people on the redundancy list who have no jobs.

Mr. Turner: The point is that any advance notice gives the people involved an opportunity to do some advance planning.

Mr. Martel: Tell me what a guy in Atikokan does, John, when they announce they are going to lay him off in six or eight weeks. He sits there and gets his last 16 weeks' pay and he can't find alternative employment. What the hell has it done for him?

Mr. Turner: What will it do to give him 52 weeks' notice?

Mr. Martel: With the type of plan Mr. Adamson has been talking about, it would prolong it. That is why I asked about the whole thrust of his argument, because when you have final employment they are going to get a year's wages. The guy still doesn't have a job.

Mr. Turner: That only comes at the closing, not prior to closing, obviously.

Mr. Martel: I understand that.

Mr. Adamson: Excuse me, if I could clarify that, the advance notice is advance. If a worker is working he doesn't have time to look for a job, and if there is separation pay involved that he only gets if he stays until the end, if any government agency or he himself finds himself a job before that time, he loses his separation pay. So you have all those kinds of problems;

whereas, if the protection is going to take place after the elimination of the job--

Mr. Martel: I appreciate what you are advancing, I think that is first rate, I guess I am grappling with the problem after the year if he doesn't have a job. How do we keep plants operational, do we investigate, do we force justification, do we get involved in saying the costs are so horrendous it is more important for us to invest directly, if need be, to keep the operation viable if it is not losing money.

Mr. Turner: Yes, but that alone doesn't keep the operation viable, with all respect.

Mr. Martel: If they are making money, John. Most of the plants we have seen outside of Heintzman, I am not sure which ones were losing a bundle.

Mr. Turner: The ones we have chosen to look at haven't been, no.

Mr. Martel: Maybe we haven't looked at enough, then.

Mr. Chairman: We can carry this on ourselves over lunch or throughout the rest of our weeks, but are there questions for Mr. Adamson?

On behalf of the committee, sir, thank you again for spending the morning with us. We appreciate that. Members of the committee who were not here will have access to the transcript and your brief. We appreciate that, it was quite stimulating.

The committee recessed at 12:40 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, JANUARY 14, 1981

The committee resumed at 2:13 p.m. in room 228.

UAW BRIEF

The Vice-Chairman: I guess we could get going. We have before the committee this afternoon the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW).

I know that the committee is familiar with several of the people at the table. We have met Mr. Nickerson before, and we have Mr. White and Mr. Gill. Maybe, Mr. White, you could introduce all of the members and give us some of their background.

Mr. White: Mr. Chairman, Mr. Nickerson is my administrative assistant. The gentleman to the left of me is Sam Gindin, who is the research director of our union. Mr. Jim Gill is the citizenship and legislative director of our union. Those are the people who are appearing with me today.

I would like first of all to thank you and the committee for the opportunity to appear before you and discuss this very important issue. I think it is fair to say, in terms of the working people in this province, that the issue of plant closing and the threat of plant closing has in the last two years preoccupied a lot of discussions by workers throughout this province.

We presented to the committee earlier, whether or not you have had a chance to review it, a copy of a written presentation, which I do not intend to read. I will refer, probably, to some excerpts from it. I would like to make some oral comments and then perhaps the best way to get at some of the issues is to leave it open for questions by the committee to which I will try to respond.

Our written presentation contains statements on our position on a number of issues regarding plant closings. We have addressed the whole question of the practicality of plant closing legislation and we have attempted to address whether or not this issue scares away new investment. We have included some statistical information for you and some background information regarding a Ford closing in Cleveland.

I do not propose today to go into all of the case-by-case stories of the workers who are members of our union that were affected by plant closures because you have had before this committee, I think, a number of those, but I can tell you that I do know of hundreds of families who have been affected, whose family members were members of our union and who have been affected by what I believe to be, in most cases, callous decisions on plant closings.

I know of workers who worked many years in plants in cities like Windsor, Oshawa and St. Catharines and were planning their retirement—they had a right to plan their retirement because they had worked for many years in the enterprise—only to find a few years prior to their retirement that they were to be thrown out of work. The financial plans that they had made had to be drastically changed in their declining years to a much different lifestyle than they had planned and which they had earned through the years of work.

I know of many young couples in communities who had saved for years while they worked in enterprises and were able, through their savings, to get a down payment and purchase what was their first home in which to raise their family, only to find that they were thrown out of work and subsequently lost their homes and much of their contents.

I have known and heard of young couples who have walked away from their homes and contents, and put their children in the car with their personal belongings and driven to western Canada in an attempt to find employment because they were in communities where it is absolutely impossible to find alternative employment when their jobs were taken away by plant closings.

I know of situations where the fathers have walked away from the wives and children in order that those families can get some kind of mother's and subsistence allowance under the social benefits because they could see no alternative way to do it.

I know if you check you will find an increase in mental and physical breakdowns in communities which are affected by plant closings. Where there is high unemployment, you will find there are many more marriage breakups; that violence has increased in domestic disputes; that alcoholism has increased. All of these are things that workers and their families do not like to talk about, but they are real and they are situations that develop when workers are told that they are permanently out of work.

In many cases of plant closings that we have seen, you have heard of people who have worked in plants at high wages and people who have worked in plants at low wages, and the testimony has been given by a number of workers before this committee.

I want to say I appear before this committee not as somebody who has just a philosophical approach to this issue or somebody who has kept this issue at an arm's-length relationship. I appear before this committee as one who was inside the Houdaille plant at one point when it was occupied. I appear before this committee as a person who recommended the Bendix sit-in at Windsor, who recommended the occupation of the Beach plant in Ottawa.

I did not do that because I wanted to; I did that because what was happening in this province was that there were a number of plant closures and a number of jobs that were leaving this province permanently and it had become accepted as a matter of fact. We felt as a union, and I felt as a leader of our union that we had to do something dramatic in order to focus attention on

what was happening to workers and their families when enterprises were being closed.

We have a structure in our union known as the Canadian UAW Council which meets quarterly, and really is what we call the parliament of our union in Canada. I make a written report to that council and the delegates from all over Canada report back to me. In June 1980, I listened as delegate after delegate, people who were workers in plants and had held some leadership role in their local unions, got up and reported on situations like Bendix, Essex Wire, Houdaille and others. I said then that we had to do something dramatic to focus attention on what was taking place.

A number of people have tried to find some justification for plant closings and some of those are in political life and some of those are not in political life. I heard the story in instances like Bendix in Windsor that one of the reasons the plant closed is that we had some bad labour relations, we had high wages or the benefits were too high. .

If you use that as a yardstick, then you move into Houdaille in Oshawa and you say: "There is a plant that was organized by the UAW in 1948. We never had a strike from 1948 through 1980," We had, I believe, very few, if any, grievances go to arbitration; we had an excellent labour relationship. The workers were as involved as anybody could be in terms of a good relationship in labour relations. In the final analysis it did not make any difference.

If you talk about wages, the evidence was given before this committee of Essex Wire in Dunnville, and as I looked at the evidence and read it last night I was ashamed to read of a person who was in that enterprise 19 years and reported that she made the grand sum in takehome pay of \$139 a week and was trying to support a crippled husband on that. So if you use the yardstick of high wages, you cannot say that that applies to Essex.

I say to the people who make those arguments, they are either fooling themselves or they are trying to misrepresent the facts. The facts as we see them are that corporations will close plants whether or not they are profitable.

I again looked with interest at some of the testimony that has been given before this committee, in which members of the committee obviously had some difficulty in finding out if a corporation keeps a profit and loss position in a particular plant. I can tell you that we did not think they used to because we could never get it.

Now that the auto industry is in difficulty and the auto corporations are coming to us for some assistance, they can tell us exactly to the final penny on each plant, on an individual basis, whether it is a profit or loss situation. Anybody who tells you that they cannot determine what the profit position was in the Essex Wire plant in Dunnville was just not squaring with the facts.

I do not propose to argue with you, either, the whole question of the state of the economy that we are in and why we are having these plant closures. I think my obligation here today is to try to talk about what our response to them should be and how I see it as protection for the workers.

2:20 p.m.

The response as I see it when we looked at this over many, many months, there are really four main areas. One is the justification for the decision in the first place, the second would be the whole question of appropriate notice, the third would be appropriate severance pay and the fourth would be the whole question of pensions and pension eligibility.

We have, as a union, reviewed the amendments that were passed by the Ontario Legislature on December 4 in terms of pensions relating to plant closings, and I think they are important and represent a progressive step, but there are a number of shortcomings in those.

First of all, they are not fully portable and that is really a traumatic experience for a worker who puts 15 or 20 years in a plant. I think of a Houdaille worker as an example. Maybe he is 48 years of age and has 20 years in the plant and he is lucky enough that General Motors decides to hire him. He starts in there at 48 years of age. He loses his 20 years' service and so we have to talk about full portability for pensions.

Also, in the pension legislation we still have the age 45 limitation, vesting at age 45 with 10 years' service. It seems to me the age limitation ought to be removed from that and the number of years of service should be reduced. Then, for some reason, the legislation as we read it, and I think we are correct, says that the guarantee for pensions will be at a retirement rate of three years ago, not at the retirement rate that we would currently negotiate.

That really does not make any sense to us, because even our national programs today have either quarterly or annual adjustments. What we are really saying to workers whose plants close under this legislation is, "You are not only unfortunate because your plant has closed, but we are going to take your grade of pension back to what it was three years ago."

Let me give you an example of how it would affect some of the people. The Chrysler thing comes to mind because that is a very real situation as we see it today. Under the agreement we have with the Chrysler Corporation, a person aged 62 with 10 years' service in January 1981 would get a pension of \$304.50 a month. If we used the formula of the legislation he would only get \$197.50, which is about a 65 per cent pension.

If you to the people who are aged 58 with 27 years' service, you are talking about \$699 versus \$401. You can talk about the 30-and-out people and you are talking about \$925 a month today versus \$700. There is no rationale for that. The only rationale can be that somebody says, "If we give them the pensions, what they are when the plant closes, the union and the company will sit down and negotiate high pensions knowing the plant is going to close," and that is insane. The bargaining process does not work that way. The

corporations have to have some funding liability, and there is no reason that the penalty should be so extreme for workers who are affected by plant closings.

So I say the pension thing is an important progressive step and we do not want to minimize that, but we do think it has a number of shortcomings. We hope this committee will review that in detail and make some recommendations because we intend to try and make some recommendations in terms of the regulations.

On the severance pay, again I want to compliment the committee. I think we have taken an important first step in terms of reaching a consensus on what the minimum severance pay should be in this province. I understand and I am hopeful that the Minister of Labour (Mr. Elgie) will bring in legislation which will in fact reflect this committee's recommendation, which I understand is a minimum of one week for each year of service.

We have not, however, addressed the whole issue of notice. We say the notice ought to be a minimum of six months. This whole question of notice becomes troublesome. Should it be notice before they start looking at making a decision, or should it be notice before they make a decision? I do not know if you talked to the chairman of Houdaille, but he said the notice in the Houdaille situation was really like a person who was sentenced to death and living on death row for X number of months or weeks.

I can understand how workers feel about that, but the importance of notice is not just the people who are allowed to work through the notice. The importance of notice is to allow the governments, the trade unions and other interested parties to get in and turn the decision around or find an alternative buyer for that enterprise while the work force is still intact, while the equipment is still intact, while the orders are still there and while there are some suppliers.

I can give an example of that. One of the best examples I had was what is now Arrowhead, which was the Anaconda situation. That plant was owned by Arco Corporation, I believe. They supposedly had the plant up for sale, but they were not allowing the Canadian plant to penetrate the US market because they had similar plants in the United States.

In that situation we were lucky in that we had a Canadian president who said to us as a union:

"Arco Corporation is not trying to sell this plant. They do not want to find a buyer for this plant. They want this plant to go completely under. They want the wreckers to come in and buy up the equipment, buy up the building and tear it down because they want to penetrate the Canadian market from the United States. They do not want to find a buyer."

We had enough time and the Canadian president had enough courage to stand with us. We went to New York along with representatives of the Department of Labour, both federal and provincial. We changed real estate companies and we found a buyer for that enterprise. We had some complications later on, but we found a buyer who was able to take it over. There were orders coming, the equipment was still in shape, but had the Arco Corporation been allowed to continue, they would have just demolished that operation. So time is important for that reason as well as for the reason of giving the employees some time to readjust their lives.

We have had a lot of discussions around the province and we have never said there are not going to be facilities closing because there probably are. What we are talking about is some justification for that decision. We are talking about putting something in legislation which requires a corporation to justify a decision to close an enterprise.

Last night as I read the evidence before this committee, I said what is wrong with some structure such as this? It does not have to be structured with working members of the Legislature. It can be some extension of that. But this committee attempted to get a great deal of information on plant closings. There was a great deal of interesting questions asked of the Bendix Corporation and the Essex Wire Corporation as to why they made the decisions they did, and a great deal of interesting answers were given. I say why can we not have some kind of a structure like that in this province?

Why can a corporation like Bendix, which has been in Windsor for 50 years, which hires a number of employees who have roots there, which has been very profitable in that operation over those years, why should they not have to justify a decision to leave that community? Why should they not have to come before a tribunal and say how much they made in that enterprise over the past 10 years? What product are they currently making in that enterprise? Where are they going to supply that product from? Where are they taking the equipment? What kind of equipment? Have they modernized the enterprise or should they have modernized?

I think in 1981 the time is long gone when we can allow employers just to pack up and go. It seems immaterial whether it is a national or multinational enterprise. The only difference with multinational corporations, as I see it, is that they are not susceptible to any political pressure. The Essex Wire Corporation was susceptible to no political criticism in this country because they make their decisions elsewhere, the same as Bendix. But it really has to be uniform, whether it is multinational or national corporations.

I think the day is long gone when they can call in workers or their union and say, "This enterprise is going to close. We are not making a profit. We are not doing this or we are not doing that. Here is your severance pay or here is your minimum notice and we are going to go about our business somewhere else." The effect of that decision on workers in this province and really workers anywhere is traumatic.

If you look at the structure of our society, it obviously says in order to do anything financial, you have to work. If you look at the penalty a worker has when he is either laid off or terminated in terms of social benefits, right away his earnings go

from what he is normally earning in the plant to unemployment insurance, which is considerably less than that. If he sits around and he cannot get employment, and he draws unemployment for so long, he goes down on to welfare.

Our society says it is very important for people to have jobs. If our society puts such a priority on jobs, one way we can have jobs in an industrial society is to have enterprises that are working. Those enterprises must have some obligation to justify it when they take the jobs out of those communities and away from those workers.

That is really what we have been saying from day one. I do not know how you structure that. We do not have the magic formula as to how you structure that, but it has to be a check in the system. In the democratic system there is a lot of checks and balances and we just cannot have it that the corporations can say, as I see Bendix said, "We are not sure we can give that information because that is confidential." That is nonsense. The facts are the corporation is located in Ontario, has operated for a period of time, hired employees and has an obligation to justify that decision.

2:30 p.m.

Mr. Chairman, those are my brief introductory remarks—as brief as I can be. I don't propose to go over the presentation in detail. If it is more suitable to the committee, I would rather answer questions on points the committee may want to raise. Thank you very much.

The Vice-Chairman: Thank you very much, Mr. White.

Mr. Mancini: Mr. Chairman, I am quite pleased to see that Mr. White and his staff took time to be here with us today because I think their input is very important. Probably the UAW and Mr. White have been more involved than possibly any other single union concerning this matter of plant closures and layoffs. Possibly that is due to their relationship with the auto industry.

I concur with many of the things Mr. White has said. I especially concur with his summation of the four points this committee has to deal with: (1) justification for plant closure, (2) the matter of guaranteeing pensions and their portability, (3) the matter of notice, and (4) severance pay. As Mr. White knows, this committee has moved on the area of severance pay and has moved the government of the day on that area.

I believe the committee will be able to deal easily with three of those four matters--pensions, notice and severance pay. After careful consideration the committee may be able to deal in a united way on those matters. I firmly believe the area of justification is going to give this committee a lot of difficulty, as it gives you difficulty in trying to suggest to us what type of arrangement we should have to deal with justification. Should it be part of a group of the Legislature? Should it be a board solely of civil servants? There are many ways as you have mentioned, to deal with that matter.

I want to ask what you would accept as far as justification is concerned. I don't think I can put the question any other way. A corporation or plant says we have to give notice to our employees. What reasonable framework would you justify?

I have to be frank and say I could not find any justification for many of the case studies we have had. I thought there was some justification for one or two. For example, the Bendix case in Windsor. I questioned the gentlemen who were here at great length. For the life of me I couldn't find any justification. You and I know that is not going to be the case in every closure. Possibly in some cases there are going to be justifications, there are going to be groups of employees put out on the street. I just wonder if you have thought that through and can you inform the committee.

Mr. White: Yes, we have thought it through. I don't think you can draw a pattern that would apply uniformly on the question of justification. We are trying to say if an employer has to come before a tribunal to justify his decision, that will make him much more hesitant in that decision and that will make the decision-making process much more responsive to the people affected. The justification process has to take into consideration the effect on the workers, the effect on the community, the ability of that employer to operate in the market he has to supply his product or the ability of that employer to put a new product in there. So there are a number of variables.

It would require some kind of structure. I suggested a committee like this, but it is a question of the time for members of the Legislature--it would take a great deal of time. But it can be an extension of something like this. I don't care what kind of board it is but it would have to include people who had the time and authority to scrutinize and the authority to subpoena records to find out exactly what is taking place. I don't think you can have a sort of frame that applies in each situation, but I think you have to take into consideration the profitability of the operation, the product, the suppliers, the customers, the community and the workers as some examples.

I read briefly of the company before you from Peterborough, the Armstrong Cork company. There seemed to be some general consensus that company had a great deal of difficulty surviving for a number of years. That is different from the Bendix justification.

The other thing is, you have the Houdaille situation. That company was in business for a number of years and the federal government assisted in refurbishing that enterprise. Then you have a holding company that comes in and takes it over for the sole purpose of closing that enterprise, making money on it and diversifying it.

I don't think that is justification. At that point there has to be some legislation that says we are not agreeing to that. You just cannot have a holding company buy it and divest it because there is an important product in there, there is important equipment in there and important technology.

So I think the justification takes in all of those areas. I cannot draw a line and say this is justification and this is not. Even in a profit position you can't do that.

Mr. Van Horne: I would like to ask a supplementary. There is at times confusion between justification and the consultative process which apparently exists. If there is to be any mass layoff there has to be a so-called consultation process. I am referring to the European experience—I believe in Germany, France, Sweden. Three or four countries have this consultation between the employee and the employer.

If we went to justification, if we were to accept that theme and insist on it as legislators, would you see the consultative process being the forerunner of this or tied in with it as a double-barrelled recommendation?

Mr. White: I think it should be a forerunner and I think if you have a justification process you provide an opportunity for a union like ours.

Many times people forget the workers on the shop floor understand the business as well or better than some of the people managing the business. Many times we get ideas from workers on the shop floor. If they are unorganized, they should have the opportunity through a committee of themselves—or if they are organized, through their union—to appear before that tribunal and make a case as to why that plant should not be closed. I think the consultative process should still be in effect.

Mr. Van Horne: Do you see any barriers that would make that consultative process difficult--barriers that would exist through the nature of the beast as we see it now?

Mr. White: Once again I think it depends on the corporation and the relationship. If a corporation can justify a plant closing and all the criteria it has to meet and is prepared to be open about it, then you are not going to have difficulty. If you are going to have a corporation that is trying to hide behind a decision it knows is not a correct decision for that community or for the province or for the workers, then you are going to have some difficulty with the consultative process.

Our difficulty is always how we can get our hands on the information. As I said to you before, we used to talk to the auto corporations about what kind of profits they were making in plant X or plant Y and they always said, "We can't tell you that." Now we find with corporations like Chrysler or Ford or others who are coming and talking to us about some problems, they can take plant X and say: "This is our difficulty in this particular plant. This is who we are competing with in that plant. This is the profit for last year in that plant."

We are now starting to get that information but unfortunately we are only getting it when a corporation gets into difficulty. We are not getting it on an ongoing basis. You can't really be part of the consultative process unless you have those facts.

Mr. Van Horne: So in conclusion you would urge us to have both the consultative process and the justification process?

Mr. White: Yes, I would.

2:40 p.m.

Mr. Mancini: Just one more question, Mr. Chairman, that leads from the answer given by Mr. White.

A system is put into place, some type of framework is established for the system to work, a corporation comes in and we find there is no justification for closure. They say: "We don't want to operate the plant any longer, whether or not there is justification for closure. We can't sell the plant within a reasonable time. We are just not going to operate it any longer."

What is your suggestion about a matter such as that, because that very conceivably could happen on many occasions?

 $\frac{Mr}{l}$. White: Obviously, we have thought about that as well, It seems to me the justification process has to have some ability to enforce its recommendations. I have talked publicly about seizing assets. Everybody gets upset about that, but there has to be some built-in mechanism that allows the justification process to follow up on its recommendations.

The facts are that if you have scoundrels in this world, it is going to be difficult to get it turned around in the final analysis. If you have an employer who is absolutely and totally disregarding the decision of the justification process, the law of Ontario, labour legislation, the trade union and his employees, you are going to have great difficulty, if he is from outside the province, in putting any political pressure on him.

I think most employers, given the justification process, will come and appear before it and attempt to justify their decision.

Mr. Van Horne: Just for clarification, you suggested that Bill 214 had a very obvious flaw, and that was a reference to the three-year period of time. I just want to make sure that I understand what your criticism is of the section that says that any increase to a pension benefit, which increase became effective within three years, is not guaranteed by the fund. Is that the point you find inconsistent?

Mr. White: That's right, yes.

Mr. Van Horne: What changes to the Pension Benefits Act would the United Auto Workers have proposed in lieu of what we actually did here in the Legislature?

Mr. White: As I said, I think it is a progressive step, but we think there ought to be some other pieces attached to it. I think we have to get full portability in this province so that a person can take his or her pension credits with them. At the point they can do that, then it is not so devastating. You have to get

away from the 45-and-10-year rule. Fifty-one per cent of the geople at Columbus-McKinnon could not qualify under the 45-and-10-year rule.

I question whether that will stand up if somebody ever takes the legislation to the Ontario Human Rights Commission, because there is a great hue and cry in this country about age restrictions. If age restrictions are not correct at the top level, if somebody ever tests that, I question whether it would be correct at the bottom level. We think the age 45-and-10-year rule has to come out of there. By the time a person puts a minimum of five years in, let us start investing his or her pension benefits.

Mr. Van Horne: You would use the five-year base then?

Mr. White: Yes, we would.

Mr. G. Taylor: As a supplementary to that, Mr. White, if you were to get a greater degree of portability or full portability, would the five-and-10 or 10-and-45 become as important as the greater feature of portability to allow you to build up these years no matter where you moved with your pension?

Mr. Write: No, I would say it would not be as important if you had full portability because then you could accumulate. We still think it is an unnecessary denial of benefits. Frankly, I have not thought through what difference it would make in terms of full portability. Off the top of my head, I would say it would not have the same significance if you can accumulate as you go from one place to another.

Mr. Gindin: I am not clear on what you are referring to about this. There is also the situation where you are moving to where there is no pension plan, in which case portability would not help, but the 45 and 10 would be important because otherwise you would have nothing. If you had just five you would get one.

Mr. Martel: For example, in the collective agreement, the pension is paid in lieu of wages. We were told last week that for the first four, five, eight or 10 years it does not matter. In portability the company's share would have to be transferred, or even now if a man is forced out of a job, should he not get the company's portion which he lost in lieu of wages?

Mr. White: I think you have to be careful arguing that. You cannot argue that if you have a pension plan, then when you leave you take your money out and get it in wages.

Mr. Martel: There are two different questions I am asking. First, should there be portability to take the company's share even for one year?

Mr. White: We say five years. We think five years makes sense.

Mr. Martel: I am a little more radical than you are.

Mr. White: I am not going to put that to the test.

Mr. Martel: I think if a man spends three years in a plant and is laid off, he should be able to take that three years with him to his next employer and take the employer's share which he lost in lieu of wages. Failing to obtain that--and it is relevant--let us say he is laid off at the end of three years and he thought he was paying into a pension in lieu of wages, then he does not get his contribution and he has lost it in wages for three years because it was paid in lieu of wages. When the plant shuts down, he does not get that three years of contributions. The company is laughing all the way to the bank with his money.

Mr. White: That's right. The contribution that was put in was obviously pooled. The company used it for other purposes if it is shut down.

All I am saying is that we try to live in the world of what is possible too. We deal with collective bargaining every day. We think to take the pension legislation from where it is today and where it was prior to this committee hearing and bring it right back to where a person has vesting in one year's service, we are not sure we are at that stage in Ontario.

If we could do that, that is great with us, but what we are trying to do is put before this committee what we think is of practical assistance to the majority of employees who are affected by plant closings. We think the 45-year age rule should come out and the 10-year vesting should come out.

Mr. Martel: You do not think you can get the full portability. Some of us think perhaps it should be recommended. If he is laid off and he has only got three years and he has not had as much takehome pay because the union negotiated a collective agreement, he thinks he is paying towards a pension. Should he at least not just get his share or, if he did not pay any, then that portion which he lost in lieu of wages in order to acquire that pension?

Mr. White: I think we are getting into a complicated area because pension costs are prorated on certain people leaving and certain people staying and certain age restrictions. You have to be careful. If you had a situation where everybody could take their money out if they were laid off after a few years, then your pension costs in terms of negotiating an adequate level of benefit would go sky high. So I think we have to be careful of that kind of proposition.

Mr. Gindin: I am not that keen on it. In all pension plans that are company-paid pension plans, there is still the question of pay in lieu of, that you are giving up something. It is not the case where the employees are also taking a direct cut in their wages.

Mr. White: Negotiating in lieu of wages is the point.

Mr. Martel: It is in lieu of wages that it is there, Mr. Gindin. $\overline{\text{All I}}$ am saying is that he lost for three years. He didn't lose, he thought he was contributing towards a pension scheme and then the notice comes and he is out of a job. That portion which

was payable to him had he stayed there is then lost. That is hardly fair.

Mr. Van Horne: I want to go back to the question I put to you originally on the bill we passed, asking you if you had been in our place what would you have done. You got on the portability theme and also indicated that rather than the 45-and-10 rule you would have a five-year base.

Mr. White: Then I mentioned the three-year thing. Those are the three main concerns we have. I do not know how largely the regulations come into this. In our overview of the plan in our office, those are the three main concerns we have.

Mr. Van Horne: Back in July I received--and I am sure other members of the Legislature did too--a letter and a brief from the Automotive Parts Manufacturers Association. I asked the clerk to duplicate that and make sure that all committee members got it today in case they lost it in the shuffle.

Back in that July 1980 brief, there were certain recommendations they made, particularly relating to grants for automotive part manufacturers who increase export sales, et cetera.

First of all, what concerns does the UAW have about this brief, or do you have anything that you would say in concert with it? Perhaps that is an unfair question if you have not looked at it. What would you add to their brief?

Mr. White: Let me just give you our belief in the principle in terms of government grants to corporations, whether it be the parts industry or the manufacturing industry. We happen to believe that the time has long gone when it should be an automatic handout. People make the argument, "If we did not do this, we would not get so many jobs." We think government assistance has to be tied in with the whole question of guarantee of jobs and facilities. That is very basic to any provision of government assitance.

2:50 p.m.

I have not recently read the task force report that you are talking about. I can just tell you we have been involved in every study of the auto industry since before the Canada-US automotive trade agreement was negotiated in 1965. We have made our points of view, and they are all public, in terms of whether it is fair shade of trade, parts deficit, the Canada-US automotive trade agreement itself, subsidies to corporations, et cetera.

The Chrysler example was probably the first example of a government negotiating with an employer and getting a commitment on facilities and percentages of employment. It remains to be seen how that will hold in the long term. But something along that line is what we are talking about in terms of government subsidies.

Mr. Van Horne: In my view, you have presented a very fair brief and have presented it very objectively. I commend all of you for that. We have hit on three of the five main themes, but we have not really spent a whole lot of time in this questioning on severance pay. Would you care to review very quickly for us your comments on severance pay?

Mr. White: As I read the evidence by some members of this committee, the term used was it's a Band-Aid. Yes, it is a Band-Aid. It is trying to help employees after the tragedy has happened. But it is an important Band-Aid. I do not think we ought to minimize that. Those of us who are fortunate enough to have full-time employment and some half-decent salaries know that with inflation today it is difficult.

If you read the evidence given before this committee, a woman in Lanark got \$139 a week. She doesn't save anything. At the point you take her job away, she has no income at all. So severance pay is an important cushion for whatever period of time. At least we have made a start here on the basis of one week for each year of service.

I think that is important. It is a Band-Aid, yes. It does not give one a new job, but it is important in terms of helping some workers get through a very difficult period. It is not the solution. The only solution, of course, is the economy, and that is in a different forum. But severance is an important principle.

Some people argue the union movement should negotiate severance. I just came through negotiations with Massey-Ferguson three or four months ago. We were struggling to get a collective agreement so that employer could go to banks and refurbish the operation. I would love to have put severance on the table. If we had put severance on the table, we would not have a collective agreement today because the employer would resist that.

You have to take into consideration that there are a number of smaller employers, of 100 or so people, who are not organized in this province. Those workers are entitled to severance pay as well. It is an important piece of it and we compliment the committee for making that recommendation.

Mr. Van Horne: My final point is on employee adjustment. Could it be mandated, in your view? If so, what comments would you have or what suggestions would you have for us as a committee?

Mr. White: Explain to me what you mean by employee adjustment.

Mr. Van Horne: Let's say a plant closes down. The employees and the community, with some government assistance--

Mr. White: Are you talking about manpower committees?

Mr. Van Horne: Yes.

Mr. White: Some of those manpower committees have worked well. For example, I can take the Ford experience in Oakville, where they had one shift of some 1,500 people. They had two people from the Ford Motor Company, two people from our union and the chairperson of that committee. I think that committee worked well.

However, we ought to understand its limitations. As is projected now, if Ford were to hire their shift back on in Oakville and if that should only happen for a short period of time and the model they are putting in there does not sell and those 1,500 people go out on the street again, it is going to be extremely difficult for that committee to go into operation and replace them because the employers are going to be sensitive about it.

Again, that is a piece of it and it is a piece that is important in terms of trying to place people because it is a fact that people want to work. If there is one thing the downturn in the economy has shown, it has got rid of the myth that people don't want to work.

In Windsor, when General Motors announced they were going to hire 2,000 people and they were going to give out applications, they had people lined up all night and they gave out 22,000 applications for jobs. People came from all over the place.

Ford Motor Company in St. Thomas were going to give preferential hiring rights to Ford Motor employees in Windsor who were laid off. We had 500 people go down there and apply for preferential hiring rights.

People want to work and these manpower committees, by having knowledgeable people on them, can assist. We are talking in many cases about people--for example, in the Houdaille plant, in the Bendix plant--who are looking for work who never in their lives filled out a job application form, except at the one place. They never knew what it was, except to get up in the morning and get their lunch and go to that one facility and come home at night and get their holidays, et cetera; that's all they ever knew in their lives in terms of work.

Now, all of a sudden they have to get into this world of where they have to go and ask and beg for jobs and see long lineups. So a manpower committee is some assistance in that. It is an important piece of it, but it is only a piece of it.

 $\underline{\text{Mr. Van Horne:}}$ Have you specific recommendations in so far as that particular topic is concerned?

Mr. White: Let me be honest. I did not contemplate that would be an important question here and I did not study it so I have no additional recommendations.

Mr. Cooke: I will be very brief. It is very difficult to ask questions of this delegation because I do not find anything in their brief that I disagree with or that I have not talked to the UAW about in Windsor before.

I want to ask Mr. White about this. One of the very important aspects of employment adjustment is going to be in the federal jurisdiction. I am thinking of transitional assistance benefits. It is something that the UAW has been asking to be reinstated for quite a period of time.

What stage are we at with the federal government? Can you give us any indication when the federal government is going to make a decision?

Mr. White: Yes. I was told by Mr. Axworthy on September 15 that in two weeks he would be taking the proposal to cabinet and we would certainly be hearing something. That was September 15, 1980. That was the second time I was told that.

All I can tell you is that we have sent telegrams, we have been to Ottawa; I feel that I have spent half of 1980 in Ottawa. We have attempted to make the case for transitional assistance benefits for the auto industry on the basis of an historical pattern of trade between our two nations, on the fact that we did recognize that there was going to be adjustment dislocation.

In 1965, when the auto trade agreement first went into existence, it was recognized by all levels of government that there would be rationalization dislocation. They set up a benefit in addition to unemployment insurance, which was a transitional assistance benefit, to assist workers affected by that dislocation. That was terminated, I believe, in 1972.

What we are going through in the auto industry today is the biggest revolutionary change in the history of the industry. We are having much more dislocation, much more rationalization; not just in Ontario or Canada or the US, but worldwide. We are trying to argue with the federal government that we should reinstate that kind of benefit to assist, for example, the workers in Ford who are out on the street while they gut the entire inside of a plant and get it back into operation. Many have now exhausted their unemployment insurance benefits.

We have been extremely disappointed in the response we have received federally and we have no commitment at this point from the federal government, in spite of the fact that we have been there and we thought we had a commitment from Mr. Axworthy to bring some kind of program. Whether it just applies to auto workers or not is immaterial to us. He made that kind of commitment to us in September and we have had nothing since that time.

Mr. Cooke: From testimony we had in front of this committee from federal people from Manpower a week ago, there was an indication that a study was taking place at the federal level to study the implications of automation in the auto industry over the next number of years, basically robotization of the industry.

We have attempted to get those statistics. Have you done any guesswork about what we are talking about over the next number of years in terms of robots and other automation, percentagewise job loss?

Mr. Gindin: I think the problem, David, with making projections on what kind of jobs you are going to lose is that you can end up with fairly simpleminded projections, because it depends on how the economy is going to grow, on how that growth in the economy affects the auto industry, on what share of the North

American industry we have. It depends on things like plant closure legislation and on what share imports have. And then it depends on questions of productivity and what the union can negotiate in terms of shorter work time.

3 p.m.

You will find that if you are off by one per cent on any of those factors you can be off by 100 per cent over a 10-year period, the range is so wide. All we know is we are in a situation where there is going to be a lot of dislocation and there are going to be some very severe effects. I would not try to put it into numbers.

Mr. White: I think it is fair to say that if you look at the auto industry today they are instituting automation at an ever-increasing pace. There is much more robotization and Unimats going on in the auto industry today than there ever was.

Mr. Gindin: I would just like to give as an example. If you compared the late 1950s to the late 1970s, you would find a period in which productivity more than doubled; but in the UAW in Canada, employment actually increased. You cannot just take a look at what is happening with productivity; you have to look at all the factors.

Mr. Cooke: Obviously the best form of employment adjustment has to be a job. I realize there are very serious economic problems that go beyond the auto industry.

Is there potential in this country, first of all, for growth in the auto industry, assuming that foreign auto makers are going to continue to penetrate the North American sales? What can we do, particularly in Ontario, in order to expand the auto parts industry? We have been talking for years about the chronic deficit in the auto pact, which represents 20,000 to 30,000 jobs. How is that going to turn around?

Mr. White: We have this automotive trade agreement between our two countries, and it is the largest trade agreement, I think, between any two countries in the world. We have said it cannot continue to operate if it is going to have a large deficit against any one country; it cannot continue to operate if it is not operating properly. The facts are that we have had a surplus in assembly for a number of years and a large deficit in parts. I do not think there has been enough screaming by either level of government in terms of addressing that problem.

You hear a lot from the parts manufacturers and some of the multinational parts manufacturers about their not getting their share; in fact, they are getting their share if you look at the North American share. The difference has been what we call inhouse parts production. That is the parts production that is done by Ford and General Motors and Chrysler in their own house; that is where the large, significant deficit has been. I think we have to just keep yelling about their not meeting that kind of a commitment to the auto pact.

One of the difficulties we are having as we go through this troublesome time, when you see flexibility given to Ford, Chrysler and American Motors, is we wonder where this is all going to end.

Mr. Cooke: That is one of the reasons I asked the question. The agreement that was made between the federal government and Ford Motor last week provides some jobs at Ford in Oakville, which I am sure we are all very thankful for. But one of the long-term implications of that agreement is in terms of further rationalization and perhaps, in the long run, further dislocation, depending on the market in particular segments of the auto industry if we specialize more and more into one segment of the industry.

Mr. White: The Ford decision was an important departure from the negotiated agreement between Canada and the United States because it was a departure on ratio, and it was the first time they had committed in writing that kind of a departure. You can say we are all happy that they are going to hire the second shift. That is fairly presumptuous; it is dependent on the LTD, the market for the LTD and product growth.

I think, as we have been saying, you cannot just solve this industry problem in isolation of the general economy. As long as we have interest rates where they are today in Canada and the United States, as long as we have unemployment where it is today, we are not going to solve the problems of the auto industry in isolation of that. But there are certain mechanical things you can do.

We were mildly critical of the decision in the Ford Motor Company thing because we were entering into negotiations with the United States for consultations on the automotive trade agreement, and before we got those completed, we gave the Ford Motor Company some flexibility.

If it works out the way everybody says it is going to work out, that will be good for Canada, it will be good for the Ford workers. History has shown us that we have to be somewhat cautious about accepting those kinds of predictions. If you look at the Ford Windsor example, that is one of the reasons we are cautious about it.

Mr. G. Taylor: What part would the UAW in Canada or the US play in those negotiations in making the Ford Motor Company the sole product line of the half-ton trucks and the LTD?

Mr. White: We play no part at all. Our only role comes into play when Mr. Gray would have us come and meet with him on the proposal that has been made by the Ford Motor Company or the proposal that has been made by X company, whatever it is, and we would give our observations on that the same as we do on a number of other things.

For example, I am going to Ottawa on Friday morning to meet with Mr. Gray on the critical Chrysler situation. No doubt he will have some ideas and he will want to get our input into that, the same as we have done with Mr. Grossman in Ontario and others.

We play no role in determining what product goes into what area. We have no decision-making process in that; we really have no say in that. All we are doing is reacting to what the proposition is, and the proposition from Ford in Oakville is if you give us a ratio which allows us to make up for a shortfall in truck production by an increase in car production, we will, in turn, bring the second shift back into Oakville and eventually bring the small front-drive car into Oakville.

Of course, in times like this in the auto industry everybody says that's good. We do not know if the Ford Motor Company had intended to make that decision anyway, whether they had any choice. Those are the real decisions we have to get involved in and we are usually consulted about them. But as far as our going to the Ford Motor Company and saying, "We think you ought to put product X and product Y in plant B," we have no input into that at all.

Mr. G. Taylor: Have your American colleagues advanced any further than the Canadian position?

Mr. White: No, they have not advanced any further than the Canadian position in that regard. They have had dislocation in the United States the same as we have had because one of the difficulties now is it is not a question of plant X and plant Y in Canada or the United States; it can be plant X in Mexico and plant Y in Brazil and somewhere else in France. That is one of the real difficulties of this.

Mr. Cooke: I do not have any other questions except to say that I certainly understand, coming from Windsor, the social effects that you refer to in your brief. I guess one of the most frustrating things I feel, coming from Windsor and growing up in an auto family, is that we keep hearing from the government members of this Legislature and at the federal level that we should just sit tight, that the auto industry will turn around and the jobs will be created and the thousands of guys who are on layoff right now will be back at work.

I just do not believe that is going to happen. I believe that if the jobs are going to take place in the auto industry and in the economy in general, it ain't just going to happen; there has to be some government direction and there has to be some government planning. We cannot just wait for the market to turn around on its own any longer; there really has to be some long-term planning. s

Basically what we have done is some very short-term, short-sighted planning within the auto industry over a number of years in terms of government intervention, and we are going to continue to experience these problems until there is a real change of attitude and more government involvement, especially in the auto parts industry where I see a lot of growth could take place if we had a government that was willing to get involved.

Mr. White: I think it is fair to say, Mr. Cooke, from our analysis there are people in the community of Windsor who will never again be employed in the auto industry, who are unemployed

today. I think it is also fair to say that the auto industry around the world is going through a terrific change. All you have to do is study it and see what is taking place.

There are different arguments about how we get that back on track and what we can do as Canadians in that giant pie that we are trying to divide up. Certainly within the realm of this committee is what we can do to assist the workers who are affected by that and that is what I want to get to first.

I do not like to be caught up in doing with the larger piece all the time and miss all the small pieces. The larger piece is important, and we will continue to argue that, but I want initially to find--call them Band-Aid solutions if you will--some assistance to the workers who are being affected by this.

You have a city like Windsor, with 17 per cent unemployment, and Bendix has been in that Windsor area for 50 years. They have made a profit in that plant for all those many years, and if they cannot meet in the boardroom in Detroit and say: "We are going to rationalize our production today. We are not going to take any loss from that plant for a couple of years, we are going to rationalize our production. We are going to close that plant, and we know those people have no jobs elsewhere," that is, there ought to be some justification for that.

Bendix could have ridden out the situation in Windsor. They could have taken a minimum if it was a loss position in that plant for three or four years.

What happens to the farmers out west when they get bad situations? They do not automatically walk away from it. They have to take some losses in the thing.

3:10 p.m.

Bendix should have been accountable to somebody who said: "Listen, this is a bad time in this community. We do not have any jobs in this community. You are going to add to the already difficult problem and you are not going to walk away from this community, having made millions of dollars in the auto industry in this community for the last 50 years." That is what I have to get to at this committee.

I think within the realm of the democratic process of this province we can do something about that. Then, of course, we have to get to the more general problem of how we get the economy going. I do not want to get caught up in discussing all of the great world auto industry, the economy and how we do that and miss the problem of how we help the workers in the meantime.

Mr. Cooke: I certainly do not have any disagreement with that. I understand the terms of reference of this committee and I do not have any disagreement with your recommendations. That is what makes it difficult to talk about your recommendations, because they are things that we have been talking about for a number of months: severance pay, transitional assistance benefits, a more effective manpower adjustment setup within the plants when

the jobs do go away, I have no problems with at all. And justification is the bottom line, the most important bottom line.

Mr. White: I think it is important, if the committee has time to read, because I did not deal orally with the whole question of whether or not plant closure legislation scares away new investment. We have laid it out very clearly here and I think it speaks for itself. It really is not an issue here.

Mr. Mackenzie: There are just a few questions, but I almost got in on Mr. Van Horne's comments over the pension area and the discussion that went on with my colleague as well.

It seems to me that we have already set some kind of a minimum standard unless people were certainly not being upfront with the debate in the House, because it is less than a year ago that a private member's resolution got a fair debate for the hour and a half that is allowed in the House, and it made three specific recommendations. I think all of the members here, when we get to drafting our report, should be aware of it.

One was five-year vesting; two was a central pension agency to allow for the portability that was necessary; and three was an ensuring in the event of company default or plant closings.

That resolution I would like to remind all of the members of this committee once again passed the House without dissent and it was not acted upon for a variety of reasons, including waiting for the royal commission on pensions. But I note that everybody supported it and that resolution, which I had the privilege of moving, passed the House and I am wondering now how we can go any less. It seems to me that we should be looking for an improvement over the--

Interjection.

Mr. Mackenzie: I am simply saying there are grounds already for a fair improvement in what we have unless, as I say, an awful lot of people were pretty phoney in the House some eight or nine months ago.

We had a number of interesting witnesses in the last couple of days. We had a presentation yesterday by a chap who had been involved with the United Nations for a while, a professor from the Lakehead, I believe, Jecchinis. He made the point, I thought, fairly strongly that he refuted what we just were referring to a minute ago, the scare tactics that investment will run away if some set requirements are laid down for business in this country, but he said that probably more important than the kind of stringent requirements to take care of workers or their community that may be imposed on industry is the question of stability and knowing in advance what the rules and conditions are that they have to operate under. If those are laid down and business understands them, you have no problem at all and any of the scare tactics just do not hold water.

I am wondering what your feeling is in terms of business looking at stability and understanding what the ground rules are

as being more important than many of the things we may require them to do.

Mr. White: I think that is pretty real. I think that is exactly what happens. I think, for example, if General Motors was making a decision to locate a new facility in Ontario because of some requirement under the Canada-US automotive trade agreement, the last thing they would be concerned about is whether or not we have severance pay or notice of closing, because they are interested in bringing the enterprise in to make money and to contribute to their product lines.

If it is required that they know that if they decide to close the operation they have to meet some kind of obligations and some kind of justification they will do that. It has been shown that corporations will do that around the world.

Mr. Mackenzie: You made that point very effectively, I thought, in European countries.

Mr. White: I mean it has been shown even more in collective bargaining. We have relationships with trade unions around the world; we travel and we meet in session and we find that things that corporations absolutely refuse to give us in North America that may be part of a lifestyle in another country, the same corporation will give--and vice versa, by the way.

So there is no question, if they know the rules of the game they react accordingly.

Mr. Mackenzie: The problem then is having the guts to set down some rules for once that put a little of the onus on the corporation to protect workers and their communities.

Mr. White: That is right.

 $\frac{\text{Mr. Mackenzie:}}{\text{this, but he made a point about how far behind we were in North America at the same time as he was arguing in favour of a number of things that we would agree with, for a larger role for works councils and representation on the boards.}$

How far away are we from that and is that an area that has seen the light of day as yet in North America or in Canada?

Mr. White: I think we are certainly a fair way away from that. Some would argue whether or not being part of a board of directors, being one voice, really puts you in the decision-making process. I talked to my colleague Doug Fraser and I am not sure that he shares that.

It gives us some inside information, it gives us some advance notice of things like plant closings. But--

Mr. G. Taylor: Just out of curiosity, what do they do if you are the one union member on the board and you recognize the fact there could be a 10 to one, 15 to one vote? What happens when

they get down to the nitty-gritty of conversation on the latest negotiation of the package?

Mr. White: That eventually flows upstairs. Does be excuse himself? Do you consider one union vote on the board can stand off about 10 management votes?

But in terms of negotiations it is clearly understood with Fraser that when they get down to discussing collective bargaining he is not part of those discussions. That is something that is worked out between him and the Chrysler board of directors. We have no advocated that in Canada.

I have said publicly that I think it is an interesting experiment and we will see what comes out of it. But I don't think anybody shares the view that by putting a member on the board of directors it is going to solve the problems. That just doesn't do that.

Mr. Mackenzie: We had a suggestion this morning that resulted in a fair amount of discussion here. That was a gentlemen who couldn't or didn't accept that notification or even justification were answers, but thought we were all wet on the recommendation we had made of one week's severance pay per year of service.

I must say in this area I found his suggestion interesting. It was simply that we needed to involve and needed an incentive for the corporations to look after the interests of workers who had been laid off. His suggestion was that companies be responsible for a wage bill for one year following any closure, which in effect is almost the same as 52 weeks' service. The only way they could get out of it was by being able to place the workers in other employment.

He saw it as a twofold reason: one, it was a better period of stability; and it was seen as a continuation of wage and not as a severance pay lump sum that might be paid in one shot, and it might provoke some additional response from the corporations. What is your reaction to his suggestion?

Mr. White: Again there are all kinds of formulas you can use. I think what the committee has adopted is a minimum which should be started with. Then, like all other pieces of legislation, hopefully we try to progress from that point. If you could have employers in this province who accept the liability of the wages and benefits for employees for a year, that is obviously better than one week's severance pay for most people for each year of service--for everybody it would be.

I don't think we are at that stage and I think the reaction that is coming out on the severance pay by people like the chamber of commerce and others, I could just imagine the reaction if you went the other step suggested by the gentleman this morning.

Let me just say I think the chamber of commerce is quoting a figure of \$700 million in cost of the severance plan that is proposed by this committee. I don't know where they get those

figures unless they are projecting that every corporation in business is going to close down and that is how they cost the figures. We tried to put a pencil to it and can't find it.

Mr. Mackenzie: (Inaudible) workers laid off at the top salary range in the next year or two to meet that \$700 million bill.

Mr. White: There are a number of offsetting costs to that that they are obviously not talking about. A number of them are included in Mr. Grossman's own document when he talks about locating in Ontario, "Let's do business in Ontario."

The formula the gentleman suggested this morning is, again, one of many, and it is probably more progressive than what this committee has talked about. Again I think you have made the important first step. I don't think we ought to divert from that at this stage.

3:20 p.m.

Mr. Mackenzie: I hope our important first step is one that will hold. We did finally get unanimous approval on it, although I have heard it referred to as early as this morning by members of this committee as an area that is of considerable trouble to the committee. I am hoping that does not mean there is any backoff from the recommendation that has been into the House. I do not know how they could.

However, in the suggestion made this morning, and it applies as well to the recommendations we have made on severance pay, the argument that was immediately raised against it was one that we will get even on the current pay recommendation, I am afraid, although, because we put some stipulations on it, not as strong as we will get if we try to expand it.

That is simply that any form of severance pay, or being required to pay a year's wages unless you found alternative employment for an employee, was going to adversely affect the small business. We get the small-business area held up as the reason why we may not be able to take steps on an overall basis, or at least the question is raised and it is part of the argument that we are then faced with.

Do you have any particular response to that?

Mr. White: Let me say that I think that employees in small business are just as devastated when they are thrown out of work by plant closings as employees in large business. The only reason that we were able to elevate the issue of plant closings is that it finally happened in large numbers. For a number of years it has happened in small numbers.

The employee who works in an unorganized textile operation in the core of Toronto is just as devastated when that operation closes and they have no employment as an employee is in Windsor. An employer should have the same obligations and the cost of doing

that kind of business and the cost of adding that severance to the operating cost is minimal.

Mr. Mackenzie: You are probably aware that to get the recommendation that we did come into the House with through this committee we had to agree that it applied only to those with 50 or more employees, so we did not win the entire battle on that by a long shot as it was.

One final thing, and this is broader than the immediate concerns that I think there is some area of agreement on, one of the arguments we are constantly getting as we take a look at the devastating effects of plant closures and the increasing layoffs in the province of Ontario is, "Yes, but we are also putting more people to work."

Do you have any particular comments other than the fact that we have got an increasing population and an increasing work force and we would be in real trouble if there were not some increases?

Mr. White: We made a presentation to the Ontario cabinet a number of months ago. The Premier (Mr. Davis) was in good form that day and we had some controversy about our figures versus his figures. When we got all through we just said: "Here are the facts as we know them. Job creation is important and I think there has been job creation, but the facts are that we have a real unemployment situation. If anybody says that the economy of this province is booming, all you have to do is step off the steps of this legislative building and look around; it is not happening."

So I do not want to get into our view of percentages or figures of job creation versus jobs lost, but the fact is we would not be here if things were as rosy as some people predict.

Mr. Mackenzie: Just to wind it up, if we are able to come up with some reasonably strong recommendations in terms of the four areas that you have outlined--justification, notification, severance and pension agreements--it is my own personal feeling that that does not eliminate the much broader problem that we have to deal with but the committee would have at least done a reasonable service in terms of its mandate to the people of Ontario.

Mr. White: I think that is correct. I think this committee would have done a good job for the working people of this province if it could address those four areas progressively. At least that would be an important indication that somebody is concerned about working people who are affected by these decisions.

Again, as we said before, that does not solve the overall problem but at least it assists the workers as they go through this difficult period.

Mr. Gindin: Mr. Mackenzie, just in terms of the question you asked about more jobs being created, one of the things we really talked about is job dislocation. That there are jobs being

shut down in Windsor and there are new jobs in Alberta does not help the people in Windsor.

If there are jobs being shut down in manufacturing and there are new jobs being created in the service sector we have still got a real problem in the manufacturing sector.

The facts are that the unemployment rate in Ontario is high by historical standards, it is high by international standards. The fact that the labour force is growing is something that we knew about 10 years ago and the question is why was it not planned for. I do not think there are any answers.

Mr. Mackenzie: I am inclined to agree. There was one small anomaly that caught all of our attention in discussing the Armstrong Cork closure and that was the almost ludicrous situation of one of the 200-and-some workers who were out of work--one of the few in that case--who were assisted by the manpower adjustment committee being sent to Windsor to be employed.

Mr. Gindin: I am not sure if the figures on the manpower consultative services are accurate but according to the government's document 1,000 people have been placed through it. At Ford there are 700--that is the accurate number--and there are certainly not very many people being placed.

Mr. Mackenzie: We are told there are some relative success areas and 1 think Ford, comparatively speaking, is certainly one of them. But we also know there are something like 20 of the hourly-rated at Armstrong Cork out of better than 200, so there are other areas where it has been very ineffective.

Mr. Martel: There are a couple of things that concern me. I guess I was one of those who said probably it was a Band-Aid, although we worked like hell to get it. In the final analysis for me there have to be jobs for people.

I see this as a transitional thing like unemployment insurance. In the final analysis it is not going to help a worker except to keep him ahead of the game. If he gets 20 weeks' severance pay, at the end of 20 weeks he is still confronted with the problem. That is specifically why I indicate it is a Band-Aid. It is much needed but certainly is not the answer to the problem, as I see it.

There are other things I think we are slowly getting agreement on. I think the line where we start from has got to be a funded study on every plant and what happens to every worker over a three-year period, or a four- or five-year period, to find out what happens to the community, what happens to the worker, and trace it through. We have already got material from Atikokan, for example, where the drinking rate and the incidence of alcoholism rose substantially. I think there is some agreement in this committee that we have to get the answer.

Alan Pilkey, when he was here last week, showed us the costs to Oshawa, which are astronomical, and yet we have not even started to get the final bill. Once we determine that I think it will make government realize it cannot allow plants to shut down at the whim of someone. I think if we start with that as the bottom line, the tab to the state, whether it is municipal assistance, federal or provincial assistance, the costs are so astronomical it might be worth our while to change some of our attitudes and say, "This simply cannot go on because the costs are far greater than keeping the plant operational."

Mr. White: Yes, that is an important point. I said early last year if we are going to get the focus of attention on this we have to talk about the things that workers do not like to talk about, and that is what is happening in the family after a plant closes in a community. We have to talk about what is happening in mental breakdowns, and there are dozens of them, what is happening in physical breakdowns, what does that do to health care costs, what effect does it have on marriage breakups, of violence in the homes, of alcoholism and the effects on children.

It is going on and we have to get it out there and we have to realize that you just cannot expect—I cannot picture myself. I have been laid off a couple of times in my life when I was working in a plant but I was very young and so for the first week I thought it was a holiday and I had to find a job and have a paycheque.

I cannot imagine being a person today of 53 years of age, who has worked in a factory for 25 years, and all of a sudden, as it happened at Bendix, hearing, "Tomorrow morning you are out of work," or at Houdaille hearing, "A month from now you are out of work" in a community with high unemployment. What on earth do I do? I have commitments to a home, I have commitments to a family, I am trying to raise children and that is when the pressures start to set in, that is when the tension starts to set in in the relationship.

There are horrendous social costs to communities that must end up with the province and the whole country. We will find out that what we are talking about in terms of something like severance pay is minimal compared with the horrendous social costs that are involved. This is--you are absolutely right--a Band-Aid approach. But I think it is an important Band-Aid approach until we can find the main solution to the problem.

3:30 p.m.

Mr. Martel: I hope we will have a recommendation that says to the government we have to know those costs, otherwise three or four years from now we will be back here. In fact, we are back here now having not acted on the former select committee on economic nationalism.

I would like to go back to Arrowhead for a moment. We questioned the president when he was here as to why Anaconda, which I guess was the former owner, was bought out and why they closed down. He said it was simply because they did not want to be in that line of production here.

I think you indicated to us--and forgive me if I am

wrong--that what they wanted to see happen was to service the Canadian market from the United States.

Mr. White: There is no question about that.

Mr. Martel: Is that not what is going to happen now with the closing of Arrowhead? That particular line will be imported into Canada.

 $\underline{\text{Mr. White}}\colon$ I think about 40 per cent of that plant goes to $\overline{\text{export}};$ $\overline{20}$ per cent will have to come from the United States. The difference here is that obviously it is going to come from another employer in the United States.

In the Anaconda situation, they were in absolute control. They had really grounded the Toronto plant. They had not updated it and they had not modernized the equipment. They just ran it into the ground, got as much profit as they could out of it and modernized their operations elsewhere. They were going to liquidate the Toronto facility and supply the market from the United States.

The only reason we knew that was because that Canadian president was with us. I kept copious notes. He was the person who helped us walk through that. If we had not had that information, we would never have saved that plant.

Mr. Martel: Is he the same president who is there now?

Mr. White: Yes, he is.

Mr. Martel: Has he put a new coat on, or what?

Mr. White: No, same person.

Mr. Martel: I tried to get the cost from him. He got a little irritated with me, I think; he suggested I was trying to renegotiate his contract.

 $\underline{\text{Mr. White}}\colon$ I see by those notes that a few people got that way with you. You are so likeable I don't know why that would be.

Mr. Martel: He calculated the severance pay and then he backed off and said he was not sure. He said \$2 million a year--pardon me it was COLA, not severance pay.

Mr. Van Horne: That works out at close to 12 per cent.

Mr. White: That depends, of course, on your rate of inflation.

Mr. Van Horne: If he backed his numbers up, it came to just over 12 per cent.

Mr. White: The problem is the cost of living we negotiate usually kicks in on a quarterly basis. There is an increase in cost of living in December and the next increase is in

March, but you do not get the March increase for December through March. Then you get one in July and you get one three months down the road.

That is where we get into trouble with AIB. If we have a cost of living and they project it at eight per cent and cost it from day one, we never do get it from day one. The cost of living increases are those that come after the cost of living is increased and they are not using the quarterly adjustment.

The \$2 million figure, to me, is--

Mr. Gill: Double.

Mr. White: Double?

Mr. Gill: That's right. You said take a quick look at it.

Mr. Mackenzie: It works out to about \$2,500 per employee and I do not think the COLA would--

Mr. Martel: His total salary costs the year before were only \$16 million. His COLA was priced at \$2 million.

Mr. White: If you look at the historical bargaining pattern of our union, we have normally bargained what we call the percentage annual improvement factor plus a cost of living allowance.

In the Arrowhead situation, when Anaconda sold Arrowhead, one of the demands was, in order to get this thing remodernized and back in shape, we had to stop the cost of living. "We will give it to you down the road when we get the plant operating profitably." That is where we got into difficulty with the discussions with Arrowhead.

I cannot put a pencil to that quickly. I would have to take the number of employees and the number of hours to say whether his figure is correct or not. It sounds high to us.

 $\underline{\text{Mr. Martel:}}$ It sounded high to me when it came out to one $\underline{\text{eighth of his}}$ wage package.

Mr. Gindin: It would be less than half of that.

Mr. Martel: It seems to me that what they were trying to do is go out of business anyway. That is the only analysis I can come up with. He said he lost \$7 million over the seven-month period of the strike. He used an inflated figure, in my estimation, of \$2 million. He had to justify that to someone, I suppose it was his board, and with the excess cost, if it were about \$660,000-I think it was calculated quickly that day--the costs are pretty high and now we are going to import.

Mr. Nickerson: I do not know why we got on to this, but Elie, you are really getting into the whole settlement itself and the agreement. If you look at it and analyse the whole settlement, 50 per cent of that is built in anyway. We did not settle for the

normal three per cent, we settled for a hell of a lot more than what the norm was. It would have been a heck of a lot less because it had cost of living built into it. Well over 50 per cent of that was built in, so it is all inflated figures and you are really dealing with something that you shouldn't. You have to get a total package cost.

Mr. G. Taylor: There was a shoot-out and the workers lost their jobs.

Mr. White: We were trying to resolve the collective bargaining situation and, at the end, the question became whether or not the tube mill was going to stay in existence, regardless of what we did. That was really the question.

Mr. Martel: I think that is what I am raising. When we see a company like that go down the tube and they throw an inflated cost at me of \$2 million, it seems to me somebody is interested in closing an operation and it is coming in from offshore.

Mr. Nickerson: A justifiable concern.

Mr. Gindin: Just one quick comment. If the credibility of this company is to be judged by the figure of \$2 million on that COLA, I just did a rough calculation and I would guess you are probably talking about a third of that rather than half. First of all, our COLA formula gives 75 to 80 per cent protection, if you consider that it is phased in over a year. The guy is more than 100 per cent out.

 $\,$ Mr. White: That is why you there is trouble with the tube milis.

Mr. G. Taylor: In fairness to the individual, he did not hold firm on the \$2 million. He was showing off a figure that he thought was there. It disappeared in the mathematics.

Mr. White: You mean this is all an academic argument we are having?

Mr. Martel: It was another rationalization by a Canadian firm to close an operation, and we are going to import offshore.

Forgive me for not knowing a hell of a lot about the auto pact. When Bendix and Essex shut down their parts operations, I raised the question with them as to what was going to happen. What happens to the auto pact then? Is it more imbalance?

 $\frac{Mr}{to}$. White: Yes, unless Bendix and Essex give up those parts to a Canadian supplier in the auto industry, obviously it would add to the imbalance in parts production. Probably we are going to have to talk about a content rule in order to solve that.

Mr. Martel: Is Essex supplying its former customers from a Canadian source now?

Mr. White: I would think they are supplying some from

St. Thomas, but most of it from the United States.

Essex is an example of a corporation that has hopped all around the world. It should have plant-closing justification every time. They went from Windsor to Dunnville, they have been to St. Thomas and Ingersoll, they have been all over the United States.

I read their evidence this morning. I do not know how you could make heads or tails out of what that company told you. They were even saying they do not keep a profit position at the plant. One takes a loss leader, one takes a high leader. It was just unreal.

Mr. Van Horne: Are you suggesting that justification be selective?

Mr. White: No, I am just saying it is a good example of one that did not leave the country automatically the first time. They hopped all over Ontario, left communities in the lurch and refused to take responsibility.

Mr. Mackenzie: We had trouble getting them before us, as you will recall.

Mr. Martel: They were not anxious to come. They did not want to talk. In fact, I might ask, have we obtained any information, (inaudible)?

Mr. Jennings: We had the information about the ratio of how many wire harnesses they brought into Canada versus what was sent out to the States.

Mr. Martel: Did we get the books?

Mr. Jennings: We have their books.

Mr. Martel: We have the books up until 1978. Did we get the information that showed what their profits were for 1979 and 1980 when they went to a new (inaudible)?

Mr. Jennings: No.

Mr. Chairman: I think we got the working papers for that gap period--the year and a half up to the closure.

3:40 p.m.

Mr. Martel: I have only a couple of other things that bother me. I was reading the New Statesman last night, something that was given to us by our staff. They indicate that Ford has done some calculation on what all the preceding material was in respect to the Japanese competition against the European car companies.

Although overall they expect over 360,000 jobs to go, within this there will be a shift of jobs to the Iberian Peninsula where General Motors, Renault and Ford are all expanding. If there is a 360,000-job loss, some through transfer to other more lucrative

places, with the devastating effect that would have, would that affect us in Canada?

Mr. White: Sure, because any time one starts to supply the US market from offshore that means we are excluded from supplying that part of it. That was one of the arguments about the Japanese locating in the United States. I said that was not good enough for us in Canada because for them to locate in the United States and start to supply the market from there, that protects them against Canadian penetration of that market. Any move by the major multinationals to other parts of the world will have an effect on us.

Mr. Martel: That is a pretty high figure, 360,000 jobs.

Mr. White: I do not know from where they got that study; I could not tell you, sir. I do not really want them to come in.

Mr. Martel: It was in the New Statesman of November 28, an analysis of the impact of Japanese competition on Ford of Britain.

Mr. White: Let me just say as a matter of principle I believe if we allow the corporations to determine trade around the world, they will move all over the world without regard to content or jobs or anything else. That is where governments have to have some input and have some rules governing trade and rules governing the question of parts production, assembly of vehicles, the content and a number of other pieces to it.

If you just leave it to the corporations, then they will move around the world at will. Ford, which joined with our union in the United States in appearing before the commission on imports, also has a relationship with a Japanese company which is importing itself.

Mr. Martel: As tariffs are eased in Canada the tendency to retrench to the United States by the multinational branch plant in Ontario will escalate.

Mr. White: Are you talking about the auto industry?

Mr. Martel: No, I am talking right across the board; I am not just talking about the auto industry. I am talking about the very fact that Ontario has a proliferation of branch plants, and as the tariffs reduce, in my opinion there is no necessity then to have a branch plant in Ontario. What we will see happening is a rationalization. They will simply supply us as another state of the union.

Mr. White: Let me just respond to that. All I would say is if you allowed trade to be determined or rationalization to be determined as to where the largest facilities are, if they get into idle capacity, if we have a plant building 100,000 pieces in Ontario and they have a plant building one million pieces in Ohio, when they get down to one shift, if you do it just by rationalization, you will truck that 100,000 and drop it in to

ake two shifts. That is why you have to have some rules governing hat kind of trade.

Mr. Cureatz: A few of my questions have already been sked. However, I want to first say how much I have enjoyed your resentation. I think you have handled yourself very well and done professional job in terms of dealing with some of the questions hat have been asked of you.

Mr. Mackenzie had centred in on one of the aspects I wanted o ask you about and confirm. From this morning's testimony I was uite enthusiastic about the aspect that actually severance should ot be the key, that we should be thinking in terms of ontinuation with that particular job that might be lost or some ind of extension or some kind of manipulation so that that articular employee can be steered off to other employment. Again, s I understand it, your attitude is there may be other lternatives, but certainly in terms of severance you are looking or the first step.

Mr. White: That is right.

Mr. Cureatz: In regard to justification for plant losures, I do not think it has to--and you indicated that--be imited to any kind of size, whether it is a small plant of 25 mployees or a large organization of thousands of employees.

Mr. White: My preference obviously would be regardless f size, but it seems to me all the other pieces you are talking bout here are 50 or more. When you are making that analysis, I hink you have to judge by yourself in your constituency if a erson in a plant of 15 people is any less affected when somebody ecides to close the enterprise, as a person and as a member of a amily than somebody in a plant of 100 people.

That is really a judgement you have to make. I would think he justification ought to be uniform, from the smallest plant on, but again I want to say that we try to live in the world of ealism as well and we have to try and see what is possible here. think if we can get something possible with 50 and more, that is nother important first step.

Mr. Cureatz: I must confess that with some of the ritnesses we have had before us I have not been overly enthusiastic with the kind of corporate management in terms of seing good corporate citizens and reflecting the concerns of what was taking place on layoffs.

On the other hand, I wonder in your experience do you feel comfortable to say that if some kind of plant justification egislation was enacted that we are going too severely on the side of those plants that do make an effort in trying to place employees? Are we centring in on too small a percentage?

Mr. White: I do not think so. I think it is like the abour movement. When you passed legislation on fair epresentation as an example, there were probably some sections in the labour movement that caused that legislation because people

did not think they were representing them properly. That does not hurt a union like ours that has continued to represent people. We live within that legislation, the same as an employer.

For an employer who conducts himself, who is prepared to pay severance and give notice and justification, there will be no detrimental effect to have appropriate legislation.

I think we ought not to fall into the trap that the Bendixes and the Houdailles are examples of bad employers necessarily and everybody else is good. If you look at the labour relations history of those plants, although we had some scrimmages with Bendix, its labour relations history was not too bad. If we look at Houdaille, it had an excellent labour relations history. In the final analysis it did not matter.

I do not accept the argument that by passing legislation like this you are punishing good employers. All you are doing is saying to a good employer that if you are a good employer you will justify your decision, you will pay appropriate severance pay and you will give appropriate notice. That is the accountability of a good employer. All we are doing is making those bad employers that refuse to do that come up to their standards.

Mr. G. Taylor: We have heard discussion this morning on the feature of severance pay and you heard some of my colleagues refer to that today. Because I have not been in on any of the votes on severance pay, I am the one holdout on the severance issue. My greatest difficulty on the severance pay is the timing of it.

There are a group of studies that are before us, and we have had the material on that. The man this morning seemed to re-emphasize that sometimes the severance pay given is not used for the purpose it was initially designed for. He used the example, out it goes on a sports car, and the fellow is still without a job, even though he used up the severance pay.

My problem comes back to when you put the package together. What is the timing of the severance pay if one comes to the conclusion that that is an ideal situation, albeit described as a Band-Aid? Does it come into play at the end of the termination notice? Does it come into play after you have used up your unemployment insurance benefits, sometimes referred to as stacking, or do you see it coming in right at the time the notice comes?

Or should it be used up as part and parcel, as a reward system for longevity with the firm or as a bulk of money sitting there to aid the company in an employment adjustment program? Or do you still visualize it as: "Here is so much money for a reward for so many years service. Do with it as you see fit, employee," knowing full well you might have a problem with that employee of no job after the employees receives the money?

Mr. White: I thought we had long passed the stage in Ontario where we are going to scrutinize what a worker does with severance pay. I have not seen too many people in Windsor going

out and buying sports cars after their plants have closed, and I do not think 16 or 20 weeks' severance pay would have made that difference.

I think you have to do it as a matter of right on the basis that an enterprise is closed and you have X number of years. It is regardless of your qualifications for unemployment insurance or working out X number of notice. That is a matter of right; that is a matter that is built into the system. The employers know it is built into the system and they start building for it.

3:50 p.m.

I live in the real world also. The employers are going to raise it with us in collective bargaining if it is covered by legislation. We have costs in this province. As I say, we have costs on pensions, we have costs on OHIP, we have costs on workmen's compensation. They will say to us in collective bargaining, "We cannot do that. We have an added cost. We are paying into a severance fund." But I think it has to be a matter of a right for the worker, him or her, because of their service with the company at the time the enterprise closes. It should be regardless of any other benefit that they are entitled to.

Mr. Cooke: Can I just ask a supplementary? I think it should be pointed out that the comments that were made this morning by Mr. Adamson were based on his statement where he said, "Workers who lose their jobs will not have the intestinal fortitude to go out and find work unless they are forced to economically." That was one of the reasons he said that severance pay was wrong because a worker will not bother to go look for work until he runs out of money, which I totally disagree with.

Mr. White: Let me say that most workers run out of money the week after they are unemployed because that is when their next pay cheque is due.

Mr. Turner: Don't we all?

Mr. G. Taylor: His brief seemed to dwell heavier on the employment adjustment committee. All these other ones--the pension plans and the severance pay--were the Band-Aids to be looked after. We have compartmentalized those in this committee so far, putting them in each compartment, instead of putting it all into the one package at the end and making greater emphasis on the one package, that of finding another job, which is the primary purpose the committee should be heading for.

Mr. White: If you say the person is not entitled to severance pay until, for example, he serves out his notice period, you are really discouraging a person from taking that and going to look for work. The only reason a person would work out his notice period and take a severance pay is because he cannot get alternative employment.

Most people would like to say, "Listen, there are 500 people in this plan. I am going to try to get the jump in getting a new job. I am going to get out there early. But if in return for going out early I am losing 25 weeks' severance pay, that is a terrific penalty." That is an additional penalty after losing their job. That would be my argument on that.

Mr. Mackenzie: That severance pay recommendation you did not vote for is probably one of the reasons why in yet another unfortunate closure today, Celanese in Cambridge, 270 workers in 14 weeks' time are getting at least one week's severance pay per year of service. That is a small consolation to another plant. It was just announced this afternoon, but I note it is one of the things the company quickly said it could do. It is surprising what the threat of a little legislation can do in terms of coverage for workers.

Mr. Turner: Just the suggestion.

Mr. Mackenzie: I recall the arguments we had to get you people to accept it too.

Mr. Turner: No, you did not.

Mr. Mancini: Mr. Martel wanted to sunset the darn thing.

Mr. Martel: Who do you think negotiated it? It was not you.

Mr. Mancini: You gave the whole thing away, you and Bob Elgie.

Mr. Martel: You guys thought we could not, remember, when your friend made his little interjection.

Mr. Turner: Who?

Mr. G. Taylor: What progress are you making, if any, on this main feature? This is the part that concerns me greatly because I think it will continue to happen.

You referred to it as the inhouse parts production of companies. Are you making any progress to get the major manufacturers to allow employees in Canada, and in Ontario even more so, to get any part of that at the federal level and at the provincial level? If we are not, what can the committee by recommendations do along that line?

Mr. White: I think there are some important investments, for example, by General Motors in Windsor, that are going to have some significant improvements in that. Had the Ford Windsor situation come to fruition, that is, a new facility come on stream and the old facility still be in existence, that would have been an important piece of it as well.

However, because of the situation in the industry that is all changing. While the auto trade deficit is down compared to other years, it is only down because the economy is away down. We do not want it down because we have no jobs in either country.

I have always said that if the governments, both

provincially and federally, are publicly critical of the corporations and point out their obligations under the auto trade agreement and the fact that the trade agreement cannot continue to operate with a large continuing deficit against Canada; that in our consultations with the United States we have a right to say that we do not expect more than our fair share but that we are not jetting our fair share of parts production; I think when we continue to do that, we will get it much better than we have had it before.

Alternatively if that does not solve it, then you have to look at some additions in the auto trade agreement; additions in content, for example, which require the corporations to have so much content in Canada and more parts production here as well.

Mr. G. Taylor: Why I say that is that all the companies we have looked at as our case studies have set themselves up this way, and they could still in the future continue to set up the whole manufacturing structure that way in the auto trade and in other trades, and you or anyone else is nearly powerless to prevent this.

Indeed, if one wanted to become more unscrupulous, it could be set up in even more refined detail so that one could build the potential for closings into the entire manufacturing system no latter what we do in law.

Mr. White: Sam has just pointed out to me that we are alking basically auto, but we have a number that are not auto hat are happening as well and have nothing to do with the anada-US automotive trade agreement.

Mr. G. Taylor: There is one statement you use in your orief at page five, paragraph 2(b), "Collective bargaining can't esolve this problem." That is an enormous admission for you to be taking.

Of course, I have seen it as we have delved into these ituations and I applaud you for coming to this committee and seeking out government assistance, because all of the features we let here seem to be pension plans, severance pay and so on show not the lack of innovativeness in bringing forth the issue, but he lack of trying to resolve it. All of the things we are being sked to do are really an assistance for the worker and the ollective bargaining procedure.

Do you have any other items that you might be saying you are mable to succeed in in that total package of collective pargaining?

Mr. White: Let me tell you why we say that. I will use n example of collective bargaining innovativeness. In the auto ommunities a number of years ago, when the auto industry had hose large model-change layoffs, you would have workers out on he street for two or three months. The workers suffered, the ommunity suffered, everybody went into debt and it took them two r three months to get back out of debt when they went back to ork.

So we negotiated with the auto industry. We started with a slogan, "a guaranteed annual wage." We negotiated a supplementary unemployment benefit plan so that workers on layoff for that temporary period could draw on the fund to supplement their unemployment insurance. But the SUB plan, we could never contemplate, nor could we negotiate enough money to take care of major downturns in the industry like we are in today.

We thought we had the cyclical aspect solved on the pensions. We went in and negotiated pensions that would give workers some dignity in their retirement years, but we could not negotiate with the corporations the portability of pensions.

We did the same on the payment of medical care, drug care, and dental care, but there are limitations to collective bargaining. We have always recognized that. We have always as a union said we have to be part of the democratic process. We have to on the one hand bargain and be active in the political arena. We have to agitate for change.

What we are saying is if we could resolve this by collective bargaining, we could solve the problem for our members and our members alone, but we cannot resolve them in collective bargaining. Even if we could, there are a number of smaller organizations that cannot. We think it is much broader than that. So we have tried, and in some places we have negotiated severance pay.

Now we are putting notice on the bargaining table. We have received notice in discussions with the employer, notice of plant closings, but there are limitations to what we can do. That is why we are saying we think we need some assistance in legislation. And, to be successful, it would probably have to be in a place where there is not going to be a shutdown for many years, in an industry that is not in a situation of uncertainty. It has to be much broader.

We have tried to handle the cyclical ups and downs with SUB, the pension problems of a normal worker who puts in 25 or 30 years; we try to handle the fringe benefits, the drug plan, the dental plan. But when we get into these kind of crises we can't do it in collective bargaining; it has to be broader than that.

Nor can we accept the responsibility for it. The union alone can't accept the responsibility for solving that. We think it is much broader than that, that there are some obligations for the Legislature to assist us in solving this problem, and not just us as a union; we are talking about representing people.

4 p.m.

Mr. G. Taylor: One final question and this has been left out. Everybody who comes before us seems to forget one part of this equation that we have been talking about, the equation of the responsibilities. There are people who come before us with the responsibilities of the workers and concern of the workers. Then there is the employer group that comes before us, and will be

coming more emphatically later on, and then the government. Each one of those and their representatives are measured.

But there is that group that has not been before us yet, no matter what label you put on them, and I notice, whether it was in your brief today or somebody else's, the investors. All of these briefs on justification: "Yes, they can look after the worker;" "Yes, the government can look after them;" "Yes, the employer, being a corporation." But sometimes the corporation is not just that shell but the investor.

With so many alternatives today, what happens to the investor, those many investors out there? What happens—given what takes place in the market, where the severity of legislation makes that unattractive to the investor—to that investor, if you can even find one? How have you studied that and looked at that?

Mr. White: I never saw my role as representing the large majority of investors in this province. Let me say I do not see any thing we are proposing here that would scare away investors. We have addressed that argument. But I find in the long term investors survive much better than workers do in a crisis.

Mr. G. Taylor: But if you were to put a justification and all of a sudden--I use the big one, Chrysler, and I do not know what is happening to their shares on the market--but all of a sudden--

Mr. White: I know what is happening to the workers.

Mr. G. Taylor: That I recognize, and the severity of it

Mr. White: I know in Chrysler that, regardless of what happens in Chrysler, Mr. Lacocca, all the board of directors and the major investors in Chrysler will survive. If Chrysler goes lown the tube there will be thousands of workers in Windsor and jax and Etobicoke who will struggle along on unemployment insurance, which will eventually run out. I can't handle the problem of the investor.

Mr. G. Taylor: Okay.

Mr. White: But we also cannot have a society which, just for people who want to invest, determines exactly what the marketplace is going to be.

Mr. G. Taylor: This gets to the next part of my puestion.

If the investors quickly pull out and disappear, do you risualize, coming to the conclusion that you are going to tegislate these packages of benefits, that because of the concern of the government there should be government participation as well as employer-employee participation in these programs for a guaranteed fund and putting money in it? Do you visualize any of that need in the recommendations?

Mr. White: No, I do not.

Mr. Mancini: I would like to ask Mr. White if he could possibly give the committee an update concerning the Chrysler problem. I know you have been in extensive negotiations concerning this matter. It is a very vital matter, especially to the Windsor area--I am from near the Windsor area--and I think it would be good information for this committee to have.

Mr. White: As best I understand it, and I talked to my other assistant who is in negotiations today, the Chrysler Corporation is trying to put an operating plan before the loan review board in the United States which will in turn release another \$400 million of the \$1.5 billion that it already agreed to give to Chrysler.

Chrysler has made a proposition to our union demanding that we find \$750 million, I think, in terms of wage concessions, cost of living concessions and fringe benefit concessions, and even if we do that, there is no guarantee that the banks or the parts suppliers will come up with the other piece of it. In my latest discussions with Washington today, we had not concluded an agreement with Chrysler in terms of the concessions they were demanding of us. The loan guarantee board, as of early today, had not made a decision on whether or not they were going to advance \$400 million.

You have to understand the scenario here. We are talking about when, about a year or 15 months ago, they went to the loan guarantee board and got \$1.5 billion. In return for that the Chrysler workers had to come up with \$526 million in concessions.

Mr. Mancini: American or Canadian?

 $\underline{\text{Mr. White:}}$ American and Canadian. The Canadians were part of the first concession in the negotiations in 1979. We shared equally because we were negotiating with the Chrysler Corporation.

Mr. Mancini: That was an international agreement?

Mr. White: Yes. Where I rejected it was when the US Congress said we had to come up with another X number of millions of dollars. We are back now for \$400 million of the same \$1.5 billion, and the Chrysler Corporation is saying to us, "You have to come down with wage concessions and cost of living concessions." And the loan guarantee board is just sitting and saying, "We don't care what you people do, we want to see an operating plan that puts the corporation in the black."

It is my understanding also that Chrysler has submitted a new operating plan to the Canadian government. As you know, the Canadian government and the Ontario government had some discussions with Chrysler in which, in return for certain guarantees, there were to be some loan guarantees come on stream in 1982. The guarantees that Chrysler gave were a front-wheel car and some other facilities, and a guarantee of the facilities in Canada.

It is my understanding now that Chrysler has submitted a new perating plan to the Canadian government which is substantially as than the original one.

Mr. Mancini: Does that include wage concessions?

Mr. White: We are part of the wage concession discussion trently taking place with Chrysler in the international freement now. That is why I am going to Ottawa on Monday morning meet with Mr. Gray and to review where he sees the Chrysler tuation to be and whether or not there are, in fact, guarantees or facilities is Canada under the new operating plan of Chrysler anda.

Mr. O'Neil: I couldn't understand why the loan guarantee and in the States set a deadline of, say, four o'clock this ternoon or whatever it is. You people do not really have time.

Mr. White: I can only speculate that it has to do with e transition of administration. I think all the Democrats leave shington by midnight tonight or something. I believe the easury, Miller, has said to Chrysler, "You come up with this erating plan by some time today because this is the last meeting e loan guarantee board is having under this administration."

If we do not reach an agreement today, the loan guarantee and is set aside and waits for the new administration to termine what its activities will be.

Mr. Mancini: When they made that offer to you concerning e wage concessions, did you have to make a counter offer, or did ey say, "Just look this over and see if you can come up with is"? Did they really expect you to make a counter offer?

Mr. White: Mr. Iacocca's proposition to the ternational bargaining committee some three weeks ago was, oys, it is freeze time and if you don't do this the lights go t." That is the way it was presented to us across the bargaining ble.

Since that time we tried to formulate a proposition which 11 minimize the sacrifices of the workers because the real tuation is, regardless of what we do, that it is going to be ry difficult for Chrysler. I have said, and I believe it, we nnot solve the problems of Chrysler, the problems of this onomy, on the backs of the working people. We cannot do that. We nnot continue to ask people to step back and step back and step ck. That is not going to solve the problem.

Mr. Mancini: During this round of bargaining that you e involved with, has the subject of Chrysler and jobs in Canada me up extensively?

Mr. White: There is some discussion taking place this ternoon on facilities, but I think our main discussion on cilities and jobs will be with Mr. Gray because he really has an reement between the federal government and Chrysler in terms of

facilities in this country, an operating plan that was signed by Chrysler some $12\ \mathrm{or}\ 15$ months ago.

Mr. Mancini: But they are saying that that is not valid.

Mr. White: With respect, they have now come in with a new operating plan and it is up to Mr. Gray to agree to that.

Mr. Mancini: Can he not agree to that only after they have had all these other agreements?

Mr. White: If the loan guarantee board says "No" in Washington, it is all going to be academic.

Mr. Mancini: Yes, it is all over then. But I am saying, if all the pieces are put together, if the loan guarantee board says, "Okay, this new proposal given to us by Chrysler is acceptable," then before they could say you had to be part of the puzzle, you had to make your sacrifice. Therefore, when it is all in place and you have made your sacrifice and the suppliers have made whatever sacrifice they are supposed to make and the loan guarantee board frees up this other \$400 million, it is all academic as far as Mr. Gray is concerned.

4:10 p.m.

Mr. White: No, it is not academic. As a matter of fact, I think he is a major player in this. He has in his hand a contract signed by Chrysler Canada, with an operating plan, with some guarantee of facilities which says that before Chrysler closes any facilities they have to have agreement from the Minister of Industry, Trade and Commerce. So a new operating plant has to have his approval in order to get the \$200 million guaranteed loan. I think it would have an effect on what the Canadian banks do.

Mr. Mancini: But by the international union being part of this new plan, whatever the new plan is-

Mr. White: We are not negotiating the plan. The only thing we are negotiating with Chrysler is what kind of collective agreeement we are going to have.

Mr. Mancini: You are negotiating a sacrifice. Therefore, you are being part of the new plan which is being submitted to the loan guarantee board.

Mr. White: No, we have an international agreement with Chrysler. We are negotiating with Chrysler, with Canadians on that committee, what kind of a collective agreement we get.

If Chrysler did not want to take any money from us, if they want to go and get it all from the banks or all from the parts' suppliers, that would be fine. The loan guarantee board does not care. Chrysler has said: "We can't do it that way. We have to get so much in wage concession from the UAW, both US and Canada." But we are not negotiating with Chrysler, their operating plant in Canada or the operating plant in the United States.

Mr. Martel: What kind of concessions are the banks aking?

Mr. O'Neil: As a supplementary to that: You said the olution is to get it from the workers out of these concessions. hat do you feel is the answer to the problem you have right now?

Mr. White: I think it is very real. Unless the economy s going to get going, Chrysler is going to have great difficulty. do not think you are going to get it going by taking money out f the workers' pockets.

Mr. Martel: Can you tell me what kinds of sacrifices the anks--those great pillars in our society--are making?

Mr. White: I would think it would be minimal.

Mr. Mancini: Getting back to a very real question: I not to ask if all of these pieces of the puzzle are put together id money is freed up, what effect do you believe that will have the total number of jobs by Chrysler in Canada?

Mr. White: I think it is going to be reduced.

Mr. Mancini: Do you have any idea by how much?k

Mr. White: No, I cannot tell. I think it is going to be educed, however, because Chrysler's proposed overall operating lan is reduced substantially from what it was 12 months ago.

Mr. Gindin: I could make a point that in terms of the otal jobs involved, according to the federal government, if trysler goes down, you are talking about 40,000 jobs in terms of orkers, supplier, dealerships--the total effect--in Canada.

Mr. Mancini: Being slightly parochial, you would not ave any numbers as to how many of the 40,000 that would mean to indsor?

Mr. White: Obviously Windsor is a big piece of it scause of the assembly facilities and spring plant there.

Mr. Gindin: And the suppliers.

Mr. White: And the suppliers; that is the other--

Mr. Mancini: Do you have any idea what the numbers would if the whole shebang went down?

Mr. White: I couldn't tell you.

Mr. Martel: I made a sacrifice too. I bought a K car to y and keep them in business; \$9,700. How the hell do they expect compete with imports? That has to be far in excess of what aport cars cost. That is higher than a big Chrysler.

Mr. White: That is one of the problems you have: you

start reducing the size and you have all that capacity, so you have extreme overhead cost as well.

The other problem that Chrysler had was that they loaded up the K cars with options the first time, when a lot of people did not want them. That is the marketplace that we have no control over.

Mr. Van Horne: Did you have an ejection seat put in yours, Elie?

Mr. Martel: No, 1'm going to get one installed.

Mr. Chairman: It's 4:15. I am sorry I was a bit late and I missed the--I was glancing over this and I wanted to pass it on. In the eight or nine weeks we have been meeting, it seems to me that we have had--as you would expect--some good briefs and some not so good. But every time we get a brief from either side of this debate that is filled with rhetoric, we get nowhere. Each of us in the political business retreats back to our own rhetoric and it is the easiest game in town and then we walk out.

This brief is heavy on reason, it seems to me; and it is very thought-provoking. I know the few people who are not here will get a lot out of it. It is damned good.

One question I would like to ask: you have hit this thing on the head that frankly I have been a little concerned about--and I am not the only one, I guess. There is a question on page eight, "Won't plant-closure legislation scare away new investment?" You speak to the three and they seem very reasonable arguments: first that it has always been made, and I accept that; the second may be more important, a significant list of good reasons--nothing to do with legislation--to invest or reinvest here in Canada.

Notwithstanding all that, there is a vague feeling at least out there in the broad so-called corporate sector that it might be a disincentive to invest. In the two and a half weeks we have left we have some groups coming in that I hope will speak to this in detail. The only number we have heard and the only number you have heard is \$700 million, and by rapid calculation I cannot figure out how the hell they got it either.

What kinds of questions would you put to somebody representing either a small business or a medium business or the chamber of commerce or the Canadian Manufacturers' Association, to deal with that question? If you assume it is a red herring, and I accept the points you have made here, how would you advise us who are looking to try and nail down this vague feeling to go about it?

Mr. White: I think you should ask them to take a look at the offsetting costs in operating in Ontario and compare them. What they are saying is that if they do not locate here they are going to locate in the sunbelt of the United States--which is changing dramatically, by the way.

Mr. Chairman: Changing in terms of legislation?

Mr. White: Changing in legislation and changing in terms forganization. I think you have to pose the question, what about he offsetting costs? The medicare in this country is a unstantive offsetting cost, as are the pension costs and the ollar devaluation.

I think you can pose a question to an employer, "With this egislation would you have left this province, or would you not ave invested in this province?" You have to talk to some major mployers, and I think you will find the answer is that would not ave made a difference if they are honest about it. If we are just tying to block legislation, then they will try and scare the ituation.

I think you have to put a pencil to it. After we have stated ur position, which either you accept or reject—and that is ntirely up to the committee—then the employer is entitled to ake his position and you have to make a value judgement.

I think what we have tried to do, and you are absolutely orrect, we have not filled our brief with rhetoric. There has een rhetoric around the province, but we are trying to deal with he answers to what we think are the important questions. I think f you put a pencil to those you will see that people who were lanning to invest in this province would not decide against that nvestment because of the minimum compensation and justification uggestions we are making.

Mr. Gindin: I think it was Mr. Drea who said in his ubmission—he was talking about when the Pension Benefits Act was ntroduced—that there were obviously employers who expressed that ind of a vague feeling, too. They did not express it in number, ut they said: "This is making us nervous. This is interference gain. This is a costly item. It is more costly than in the tates." Yet both Mr. Bentley and Mr. Drea made the point that it id not have a negative effect once it was introduced.

Mr. Martel: Should we talk to employers rather than mbrella groups? The difficulty with umbrella groups is they expresent small companies, and it might be better to talk to some f the major people who have pulled back in terms of severance payeing a deterrent as opposed to an umbrella group which might not every representative.

Mr. White: I do not really want to make suggestions in nat regard. I remember there was great opposition from some ployer groups to the arbitration bill, Bill 25, from some ployers we have a good relationship with, and they would be the list to agree today that that was an excellent piece of egislation. It cleared up a lot of the grievance machinery. It is as got away from a lot of the backlogs we have had. But they saw throm a different perspective.

With some employers today the in thing to talk about is do of have any government interference except if you are in trouble id you need a handout. Then let's have all that kind of overnment interference. Regardless of whom you talk to, I think you are going to have to make your value judgement.

 $\underline{\text{Mr. Chairman:}}$ On behalf of the committee thank you very much. We appreciate your time.

The committee adjourned at 4:22 p.m.





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SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TECHNOLOGICAL PERSPECTIVE UNEMPLOYMENT IN WINDSOR

THURSDAY, JANUARY 15, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

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Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Clerk: White, G.

Researchers: Eichmanis, J. Jennings, R.F.

Morning sitting: Witness: Britton, Dr. J.N.H., Professor of Geography, University of Toronto

Afternoon sitting: Also taking part: Bounsall, E.J. (Windsor-Sandwich NDP) Newman, B. (Windsor-Walkerville L)

Witnesses: Wagenberg, R., Alderman, City of Windsor

From The Mayor's Committee on Services for the Unemployed, Windsor:
Ianni, R., Co-chairman
McCarthy, G., Secretary
Simko, A., Member

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

THURSDAY, JANUARY 15, 1981

The committee met at 10:20 a.m. in room 228.

TECHNOLOGICAL PERSPECTIVE

Mr. Chairman: I will call the committee to order. Our witness today is Professor J. Britton of the faculty of geography, University of Toronto.

We welcome you to the hearings and thank you for coming. As you know, there are 12 MLAs and our staff who collectively work together on this committee. All of the MLAs are not here yet, but they will arrive, I would think, within the next few minutes, if you would be good enough to begin.

I know that the instant transcripts, which are available to the public and each of the members, will be available. Those who do not hear the opening part of your presentation will have a chance to read it over and I am sure they will do that.

You know the routine here, sir. You are going to make an opening statement or some remarks and then entertain questions after that. As I mentioned to you at the beginning, we have the whole of the morning, so there is no rush.

<u>Dr. Britton</u>: Thank you, Mr. Chairman. I was one of the people responsible for preparing a report to the Science Council of Canada called The Weakest Link. That was the report done by Jim Gilmour of the science council and myself from the University of Toronto. Essentially it relied on a substantial amount of research into industrial behaviour in the earlier and middle part of the 1970s.

The subtitle of The Weakest Link is, A Technological Perspective on Canadian Industrial Development. For "Canadian," when talking about secondary industry, as we did, one can of course read the very important place of Ontario into that.

Since it was a technological perspective, that is the perspective I can bring to bear on discussion this morning. In effect, the best thing I thought I could do was simply speak to what I had already published and refresh your memory on what our major conclusions were and our major arguments, and then leave the floor open for you to ask me questions, if I have not in fact addressed the things you wanted me to talk about.

In essence our concern was with technological weakness and that this technological weakness had led to deficits and the current deficits in the technologically intensive areas in the trading pattern of Canada and for that matter Ontario. So we were concerned with what was happening in certain of the services, the deficits on the invisible trade account in effect, and also concerned with the secondary manufacturing industries.

While we had this interest in trading patterns and in a sense the external performance of industry, we also were concerned with related employment problems, particularly the low percentage of scientists and others engaged in innovative activity, and also the lower percentage in Canada of the highly skilled components of the blue collar work force. Technological weakness, in our sense, really was a way of describing structural problems. I am sure "structural problems" is one of the terms that has been used frequently in your discussions.

In addition to identifying the nature of Canadian industrial problems as far as we are able to attach statistics measures to them, our concern was with the origins of those structural problems. Our conclusions in that connection related to the poor innovative performance of many foreign firms. We concluded that in many cases this was corporate policy inasmuch as certain functions, which will allow innovation to occur, were never allocated to the Canadian branch, and it was also perhaps the nature of the economic environment generally in Canada.

Secondly, there was a poor innovative performance of domestic firms and to some extent this seems to be created by the small size and the limited managerial and technical resources. Thirdly, one could attribute it to the lack of purchasing demands, backward linkages, if you like, by many large firms that are also in the main foreign, who are normally expected to stimulate production and innovative activity in the domestic sector; in other words, corporate imports of goods and services were being substituted for Canadian-Ontario production, particularly in the small firms sector.

Fourthly, in The Weakest Link and in other papers that we wrote individually, we examined the reasons these factors prevailed. Some of these reasons why this sort of industrial situation exists include the long period of a tariff shield of foreign firms which had come to dominate Canadian secondary manufacturing, and associated with that the fragmentation of the market or fragmentation of production, if you want to put it that way, by foreign and domestically owned firms, which had led to inefficiencies and the inefficiencies in production, low profit levels perhaps had led to low levels of innovation.

Third in this list of reasons, we were concerned with the fact that despite nominal tariffs existing, there are a number of schemes of tariff remission and these have left large segments of Canadian industry unprotected. The auto pact is only one of a number, although it is the largest of these schemes.

In areas where tariff protection exists, declining tariffs under multinational agreement create a situation where improved performance of domestic firms must be stimulated, and attempts have to be made to promote some sort of change in the behaviour of many foreign firms. This is the area, of course, where product mandating, which several government agencies are engaged in promoting, enters in. Our report was one that urged that type of activity be undertaken.

Where there is currently tariff protection, opting for free

trade, which is one of the alternatives that has been debated in place of the slow transition downwards of tariffs under GATT, this opting for free trade, we argued, is a poor instrument of development because of the manner in which US corporations in particular are capable of withdrawing production jobs from Canada in a program of North American rationalization.

Finally, there is the important role that Canadian safeguarding of the domestic market for Canadian firms through government procurement, and that is being attempted to various degrees by different jurisdictions in Canada, but perhaps more effectively by jurisdictions elsewhere in the world.

These sorts of considerations, and it is rather difficult to summarize a whole research and writing project in a few minutes, are essentially long-term considerations, not of the short term. I had the sense that the terms of reference of this select committee are fundamentally of the short term, but clearly the intensification of recession conditions has made Canada's problems worse.

It has revealed the weakness of Canadian firms, which otherwise might not have been revealed quite so soon, and it has shown that foreign firms may withdraw. This has revealed the vulnerability to the loss of simple production functions when they are not supported by innovation, which gives domestic and world market edge even in recession.

I think it is important not to confuse these longer-term considerations with the shorter-term cyclical ones whose effect we are perhaps seeing in terms of plant shutdowns right now.

The implications of our arguments on plant shutdowns are fourfold, I think. Plant shutdowns are really the tip of an iceberg. The lack of development is deeper and is a longer-term problem; its origins lie in the 1960s. There was, of course, great expansion of the Canadian economy in the 1960s with great expansion in population in particular, but as far as we can tell there was retarded development in the 1960s and later productivity did not rise to comparability with other industrial countries. The level of innovation was low, the pattern of change in the types of jobs in the economy, which we would now hope was in place, did not occur and, of course, there was a lack in the training of workers, particularly those required in industrially skilled areas.

Plant shutdowns really reflect the present version of changes that would have had to occur anyway because of international competition, performance differences between Canadian-Ontario industry and that in the United States, West Germany and wherever you want to name.

Canadian firms may close for several reasons. They may be in traditional industries where Canadian wage rates and productivity levels simply make them uncompetitive. They are probably producing mature products rather than products in the growth phase of the product life cycle in world terms, and where—I think generally of what those industries happen to be—newly industrializing countries are the major origin of competition for Canadian sales.

In high technology areas, Canadian firms, domestic firms may also close because they are insufficiently large, they are not efficient, they may not be aggressive enough, they may be starved of capital; a range of both internal and external factors which does not allow them to sustain their vitality.

In the medium and high technology industries, the intermediate sort of area between those two extremes where there are insufficient domestic industrial sales, Canadian firms may close too, particularly because foreign firms in Canada buy from corporations or through parent contracts for components, subassemblies and the like. So there are a variety of reasons that apply to different types of manufacturing activities, depending on the technological status, which may explain why even domestic firms will close.

10:30 a.m.

Foreign firms, foreign branch plants, foreign subsidiaries may close because Canadian production is now uneconomical, given that there is no base that has been given to that subsidiary for new product or new process generation in Canada. In other words, through corporate policy the Canadian operation is really just a shell, not much more than an assembly operation, and therefore there is no basis, with declining tariffs, for that to continue with the high cost of production.

Associated with that, one of the reasons it may close is that few Canadian branches of foreign firms export. They are precluded from doing that either by corporate policy, so that exports are something which is retained for the parent plant or, at least in many cases, an American branch, or they are incapable of exporting and therefore attaining scale and efficiency in Canada because they are producing mature products anyway which have no export market, particularly at Canadian costs of production.

The fourth aspect of how our views apply to plant shutdowns is that the effect of all these arguments or these possibilities is going to be felt not only in manufacturing but also in the service industries. While plant shutdowns clearly apply to manufacturing, we should also assume that the producer services, those aspects of the service industry who are selling their product, industrial design, industrial engineering through to marketing—in other words pre-innovation, innovation and production and marketing services—are also going to be affected. They will be receiving reduced demands from manufacturing firms, if in fact, our pessimism is correct, and there will be a continuation of plant shutdowns before there is some resurgence of the industrial economy.

All these factors, in my opinion, amount to a process of deindustrialization. Deindustrialization is a term we have used in Canada to describe what has happened or what appears to be happening. It is also a term that is used elsewhere in the world, unfortunately. It is quite a common term in Britain.

Our concern in The Weakest Link was that this should be

capable of being used in a situation where there is relatively poor performance of industry in a region, province or nation. In other words it is really a question of comparative Canadian underdevelopment. At the time we were writing it, it was not a question so much of plant shutdowns. In response to the 1971 DISC legislation for the domestic international sales corporation that Nixon introduced, there were reports and papers written in Canada that deindustrialization of an absolute type was occurring.

Our concern now shifts to the more explicit evidence that deindustrialization in Canada as well is absolute, hence plant shutdowns. I would emphasize though that the closure of plants is not a real problem in a situation of low unemployment rate. In those times, if there were plant shutdowns, we would probably argue that it reflects a process of structural change. I think we can argue right now that structural change is also occurring, and in a sense it had to occur now, especially with tariffs declining.

It was inevitable that some structural change should occur. The problem is that it is structural change plus economic shrinkage combined together, and the combination is induced by recession. One has to deal with assisting structural change as a long-term process of economic development, of attaining some sort of competitive position for Ontario industry, but at the same time one has to try, mentally at least, to separate out the other task that the committee faces and that is protecting the rights of those people whose employment is being withdrawn.

The recommendations I could come up with that in a sense would reiterate what government has started to do or that perhaps the committee has already thought of, it is certainly mentioned in The Weakest Link, on the job creation side involve world product mandates. In other words, attempts to try to induce and encourage foreign firms to adopt world product mandates—there is some move in that direction; a report by the science council recently points it out—and furthermore, to encourage the foreign firms operating here to source their components from Canadian industry.

There is a whole range of tasks on government procurement that all levels of government are talking about--one wonders exactly what they are doing--and there is the possibility of inducing more innovation in domestic firms as well as aggressive marketing. As well, there is the possibility of developing domestic consortia to overcome the stale problems of small domestic firms. That has been attempted perhaps in the urban transportation area most obviously. There are also the issues relating to job skills, which the Ontario Manpower Commission, for example, under Pollock and others, have been concerned with.

I can do no more than conclude that, in essence, an industrial strategy, a long-term view rather than short-term fixups is really what is required in this instance.

Mr. Ramsay: With apologies to Professor Britton, I am goint to speak for a moment or two on a point of order, Mr. Chairman, if I could.

Yesterday afternoon, Mr. Mackenzie referred to some concerns

he was having that possibly there was a change of position among some of the members on this side with respect to severance pay.

Mr. O'Neil: Which side is that?

Mr. Ramsay: I just wanted to speak to that for a moment because I have been waiting for an opportunity. When we wrote the report there was another vote. Maybe it is because I am a little naive or whatever the case may be, but when we were writing that report, I felt we were confirming the original resolution that had been made by this committee, not endorsing the original resolution. To my surprise, I found Mr. Cassidy rising in the House later that day to say that two or three additional members of the Conservative Party had endorsed the original resolution and that was not what I thought I was doing at all.

Also at that particular time when we were writing our report, I counselled some of my colleagues with the Conservatives that all we were doing was confirming the original resolution. "Let us get on with it." All we were voting on was the wording of the report that was introduced by Mr. Renwick.

One of the members of my caucus cautioned me that I was heading for trouble and that that was not really what we were doing. I told him he was out to lunch, that I felt he was wrong, that we were simply writing a report and confirming the original resolution. I thought I had been had, but it was my own fault.

10:40 a.m.

I want to go on the record as indicating, as I said yesterday, that I support severance pay. I am not sure at this time to what degree I support it. That is why I want to wait until we have listened to everybody.

If every one of our briefs or presentations was as objective as Bob White's yesterday, I do not think I would have any problem at all in endorsing the resolution that was put forward. I thought yesterday was the highlight of this committee thus far, with the manner in which Mr. White presented his thoughts. He was completely objective and raised some real concerns, and did it in a very responsible manner.

Before you call me a redneck, as has been suggested earlier in this committee, I want to make a couple of other points. Mr. O'Neil mentioned yesterday the matter of payrolls. I have had to meet payrolls on a pretty consistent basis, and I have run a company that has had 150 employees; but I have been on both sides of the fence because I never had any equity in the company. So, while I ran the company and dictated policy and hired and fired people, I also was an employee myself.

I do not think that I ever let a person go until he had located another job, except in very rare circumstances. I kept on the payroll through to retirement people who had ceased being productive. I kept people on the payroll with alcohol problems and with social problems and tried to resolve them. I even went as far as to keep people on partial payroll after retirement to

supplement their pension because I thought their pension was inadequate and that they needed additional support.

I say that to indicate that I have concern for the working person and that I am trying to be as objective as possible in this committee, but I have not reached a consensus as yet on the matter of severance pay, and I will not do that until we write the report. I want to make that point abundantly clear at this time.

Mr. Chairman: Thank you, Mr. Ramsay.

Professor, there are a couple of people on the list already who do want to ask questions, and I would like to ask one short one before we start off. There are a number of terms that you have used, sir, in your writing and in your presentation this morning, deindustrialization and structural changes, and you explained both of them in your comments. But just for me at least, one more time, when we talk about structural problems in the economy--don't elaborate on that, but just as tightly as you can--what do you mean by that?

Dr. Britton: It can range over a greater proportion of traditional industries as compared with high-technology industries. It can relate to trade patterns in terms of things like surpluses on exports of resources, the great deficits on trade, the netting out of imports and exports on the products of manufacturers. It can relate also to problems such as an inadequate supply to meet current demand of skilled industrial workers and the necessity to follow immigration policies selectively which would cause tool and die makers and mould makers and so on to be brought in from elsewhere.

Fundamentally, in the broadest sense it is talking about some sort of less desirable situation in terms of the composition of the industrial ecomony. One can use several indicators, the external performance demands for labour, importance of different sectors and, for that matter, imbalance in the proportion of domestic versus foreign-owned firms.

When we talk about structural problems in the economy, we are essentially saying the process of economic development has got out of kilter; there are areas of inadequacy or overinvestment in certain areas and underinvestment in others. Fundamentally, the western world is engaged in a process of what is called "the third wave" of the industrial revolution, technological and scientific change, which I am sure other people have talked about.

Canada's main problem is that it is in a backwater with respect to the progress that scientific and technological revolution has had on the industrial sector. So it is in the light of that I am using that term.

Mr. Mackenzie: Do the problems with structure include imports? I think from what I heard you say they may, but I am not sure. I am looking at pages 45 and 47 of your paper, The Weakest Link, and I note at the very bottom of page 45 you are giving some examples: in computer and office equipment, figure 11.8, imports rose from 56 per cent to about 90 per cent of domestic production

between 1964 and 1976. In the general machinery category import ratio rose from 65 per cent to 74 per cent. More specific, agricultural machinery imports rose from 76 to 81 per cent, and you have the comment here, "In a country with a capital-intensive agriculture as in Canada, agricultural machinery imports of this magnitude are a disaster." Is that part of the structural changes you are talking about, as well as what--

Dr. Britton: It is part of the structural problem, yes.

Mr. Cooke: One of the major problems in our economy is the lack of research and development. You mentioned that and your report does. What are you suggesting in order to get foreign firms to do more research and development in our country? What would your reaction be to a grant-levy system where if they do research and development they can get some types of tax breaks or grants from the government; if they do not do it they are levied or penalized for not doing research and development in our country?

<u>Dr. Britton</u>: I would find that reasonable. I think what we have to be concerned with when we look at the way grants and levies work as against tax incentives, is that the small firms do not have the capital resources, the cash flow if you like, in order to either contract out to have research done for them--industrial design work and so on--whereas it is the larger firms that can take advantage of tax breaks like that. So one has to differentiate. I think that is reasonable.

Peters and Loundsbury, of the T-D Bank, came out with a scheme a few years ago which was ignored. It suggested that one of the ways in which Canadian secondary industry could be improved was to encourage greater value added in Canadian manufacturing by making the tax rate an inverse relationship to the level of value added. That would have significance because it would mean then that industrial linkages, industrial purchases in Canada would be assisted. In other words, the way that was written, it would promote the level of supply of components and subassembles and industrial services from within the economy.

To the extent that there are large and innovative firms, proper industrial structure, or well-balanced or progressive industrial structure should have a set of relationships which causes impulses to innovate, impulses to be progressive back to the smaller firms. I think that is what is required.

10:50 a.m.

I think government procurement is important. I think the size of the government purchasing dollar in Canada at all levels is fantastically large. I am not sure anyone has an accurate figure on how large it really is, but figures I have seen, which I forget, are quite impressive. The fact that some of that is dissipated from a national perspective to producers from other countries because demands must be fulfilled in the budget year--the need for it within a year instead of being able to allow development time--is quite a pity.

Studies have clearly indicated that Canada can afford to pay

up to 70 per cent premium on Canadian goods. That was calculated, I think, in industrial electronics goods and they now apply universally. It at least gives an indication that premiums to obtain expertise, to obtain working experience, to have had prototypes produced, is really quite worthwhile in terms of future industrial development.

That is at least a partial answer. There is a range of other things that are forging the links we talk about in The Weakest Link, which later were picked up by the industrial committee of the science council. They are in the red volume and I saw a copy of that floating around.

 $\underline{\mathsf{Mr.\ Cooke}}\colon$ You seem to indicate that you are not a strong supporter of free trade.

Dr. Britton: No.

Mr. Cooke: And you mentioned the auto industry where we have already gone pretty much free trade with the United States with the exception of replacement parts and so forth. Do you not support the auto pact or are you suggesting there is an alternative?

Dr. Britton: I have never though of an alternative, since it has always been in existence and therefore part of the environment. Things that have concerned me more have been the effect that is derived from the agreement on agricultural machinery, remission of tariffs on the import of other machinery and the effect of all those duty remissions. It is not generally known, although it is reported in The Weakest Link, that Canada has one of the most open economies as far as importing the industrial goods of other countries is concerned.

While it may well have been the wisest thing at the time for the auto pact to have been signed, the effects of it have not been particulary handsome as far as Canadian industry is concerned. They have not been handsome in the area of development of industrial or innovative potential so that technical workers, designers, engineers and so on get experience in the auto industry in Canada and can percolate out into other industries. Because, let us face it, expertise from one industry does move to others.

So we are deficient in terms of the number of people who are getting experience in research and development and innovation. Also the evidence clearly points to the fact that, in terms of the blue collar production work force, Canada has the rough end of the stick as well. Evidence clearly points to the fact that the proportions of highly skilled in the United States are large, and the proportions of low skilled in Canada are large, so there is an inversion in the types of jobs.

 $\underline{\mathsf{Mr.\ Cooke}}\colon$ That is obviously as a result of our concentration on assembly in auto parts--

<u>Dr. Britton</u>: If Canada had decided to try to go the Swedish route and have a domestic auto industry, perhaps the time to have done it was back in 1965 when that agreement was signed. I

know that a member of the science council has suggested there is still potential for certain aspects of the auto industry writ large to be self sustaining in Canada. But I guess the competition that Japanese auto companies exercise and the failure that American firms are now experiencing, one wonders whether that is feasible.

Mr. Cooke: We certainly agree with the structural problems you have identified. You are not a strong supporter of the auto pact, and yet you are a strong supporter of world product mandating, and the auto pact is certainly a form of product mandating. It allowed the auto companies to rationalize and supply the North American market from one factory. It has not worked all that well and it has allowed communities to be extremely vulnerable to changes in the market.

Is that not a real danger with world product mandating, that the rationalization it provides for makes communities and individuals extremely vulnerable to changes in the market?

<u>Dr. Britton</u>: I disagree with you. The auto pact has never led to any product mandating in Canada. What it has led to has been production mandating and that is not product mandating. None of the developmental work has been done here, none of the design work, none of the marketing aspects. A whole range of managerial through high-level production jobs have always been omitted from the Canadian industrial structure.

That is an entirely different thing from talking about a company like Black and Decker--I mention them because the way they go about it is now on public record. They do the engineering, the market surveys, the product design, produce the prototypes, have the production line for a product for world sales. That is an entirely different thing and that is what has never been invested, as far as I can tell, in the auto production industry in Canada.

Perhaps in some of the parts firms it has been possible, but where you have a market that is controlled and is so focussed and so concentrated, it is dubious that firms other than those which are controlled by the Big Two or maybe the Big Three--I do not know how you count them now.

Mr. Mackenzie: Maybe the Big One.

Dr. Britton: But you see my point?

Mr. Cooke: I understand your point. While there is a certain degree of product mandating and I understand there is not the research and development in the work ahead of time, but I think my argument in terms of the production work force being very vulnerable to marked changes in the market still sticks.

That is one of my very real concerns about world product mandating. It really does nothing about one of the other structural problems that we have not talked about this morning and that is the foreign ownership of our economy.

Dr. Britton: I talked about it.

Mr. Cooke: But world product mandating would do nothing about that. It just allows foreign firms to rationalize in various countries. There is no strategy involved in that to turn the ownership of the economy back into the hands of Canadians so that we can control our own economy.

Dr. Britton: If you have a world product mandate in a firm and the company is in trouble internationally, it is conceivable it would say, "Despite the fact the Canadian operation has its own products and is doing fine, we are going to kill it." I suppose it is possible but I think it is rather doubtful.

Mr. Martel: Something concerns me about world product mandating. We have had it from Mr. Grossman's office last week. Americans are retrenching; they are rationalizing production; they can easily serve a very small Canadian market by an end-run production in some part of the United States. I know IBM and so on have done a little of this, but what conceivable reasons would there be for American firms to relinquish the production in the United States and say to a firm in Canada, "You will have this line," when it would reduce their efficiency as they see it?

We went to Dearborn and visited with Ford and they were not prepared to relinquish any research. They want to keep all their research staffs together, particularly with the competition now from Japan, primarily, wherever they can. What conceivable reason would there be for all these firms that simply came here as a branch plant to escape whatever tariff barriers there were to give all their subsidiaries here in Ontario the type of mandate you are talking about?

 $\frac{Dr.\ Britton}{myself.}$: I like your question. It is one I have

We could recognize on the one hand that if one could have world product mandates in the hands of foreign firms, it would improve the Canadian industrial structure. It would improve exports and so on. The question we could not resolve at the time of writing this was why on earth foreign firms would have world product mandates in Canada.

On the other hand, what the Science Council of Canada did was to launch a research project on that topic. So we have at least the results of some case studies done on firms and a number of them were from this area. Black and Decker happened to be one. You may have seen this report.

11 a.m.

It seemed to me that one of the major factors that had induced those firms to have world product mandates was government procurement. What became an area of expertise of those firms on a world basis, in fact, was something which started off under contract with a Canadian government. Later it was found that the skills, the particular product, the system or the process could be marketed further afield. It was absorbed within the corporate

structure of the company so that that became one of the Canadian firm's specializations and so it had world product mandate.

Mr. G. Taylor: Would Black and Decker fit into that?

<u>Dr. Britton</u>: No, but it certainly is true of firms that are doing stuff, it would seem to me if my memory is correct, in avionics, defence-related equipment and things like that. There was a second category, and I am really dredging from memory in a quick read of this thing, as in the case of Westinghouse where Westinghouse was sort of divesting itself of all sorts of stuff.

The story sort of loses credibility when it is told about how the decisions were made internally, but for no externally induced reason, like government support, Westinghouse Canada picked up small turbines. The parent said, "We are taking the big stuff." The small turbines happened to be a better bet as it turned out, and so they have been given within the allocation of functions within the corporation world marketing development, research and other rights within their corporation to do that. That is as I read that one.

Black and Decker, it seemed to me, is a case which may well be freakish. I do not know, because I have heard off the record of many instances where similar types of firms have basically done everything they can to prevent the sort of thing that happened in Black and Decker, where local initiative, ideas for new products, efficient plant arrangements and so on meant acceptable world cost of production and the possibility of pursuing a particular product line. In other words, the plant is efficient, it seems from what I read.

The corporation allowed local initiative in developing for Canada and then later marketing on a worldwide basis particular products. That is the very initiative of which many foreign firms or many American firms in particular just say, "No, we are not interested in that, but if you have a bright idea we want it," but have a completely different concept of the way in which the corporation can work internationally.

To get to the fundamentals of the question, let us assume that world product mandates in Canada in the hands of foreign firms remain a drop in the bucket. Therefore, the implication of your argument is how can we go further with that. I have tried to speculate on this. You have an industrial structure in 1980. As tariffs go down, more and more firms are going to have to make the decision whether they are going to stay or go. They are going to make that for a variety of reasons. Some of them may want to stay here because they just think that presence in the Canadian market, one additional North American region, if you like, is much better than allowing one of the other firms to stay.

Mr. Chairman: Professor, not to interrupt, but I do not want to lose track of this thought and I have been waiting for an opportunity to ask you. You referred to some other study papers, background papers specifically, following up on Mr. Martel's question. Could you tell us the names? We would like to get them if we could.

Dr. Britton: Yes, I can, but they are on my desk. The science council publishes occasional papers on Gestetner with plastic strip down the spine style of thing. It is not referenced in there. It is subsequent to that.

Mr. Chairman: I did not mean to interrupt but I think it would be useful for the committee, if you would think about it.

<u>Dr. Britton</u>: There is one that is written on world product mandating and it examines the whole of that sort of thing. I do not think I referred to anything else, did I? There is stuff on the auto pact that they have produced.

Mr. Chairman: No, it was the former, I think.

Dr. Britton: MacDonald's report, is it?

Mr. Cooke: The most recent one.

Dr. Britton: Yes.

Mr. Cooke: I am not sure we want to use that one.

<u>Dr. Britton</u>: It depends whether you are looking around for something to support your argument.

Mr. Cooke: We just want accuracy.

<u>Dr. Britton</u>: Right. On this world product thing, the most general way I can think about is that you have an industrial structure at the present time that reflects present market patterns and present technology in particular, and that industrial structure in terms of the products it produces and, in fact, in terms of the distribution of investment, employment and value added between industries is going to change over time in response to technology and in response to comparative pressures.

Mr. Martel: Where would you put it?

Dr. Britton: Can I finish off this argument? I would not make it completely passive rather than active. What I am referring to is if you go back to, say, 1950, and compare product types with those of 1980, then the whole electronics computer thing and so on is being injected into the industrial structure. That's a major change. That sort of pattern of change is going to continue so that by the end of the century, only 20 years away, either those firms are going to keep up with that progression in product structure, that progression in process technology, that progression in the investment that is needed in research and development and other innovative activity or it is not. If it does not, it is going, as it were, to withdraw over the border, or if it stays here, it is going to be progressive.

The question we have to face up to as to whether the firms that are producing mature products under foreign ownership in Canada are going to stay or not is going to be solved by whether they do withdraw or whether they shift to innovative activities from a Canadian base.

Mr. Martel: At a time when there are nine million Americans unemployed and at a time when they are rationalizing, they have to make conversions. Let's say they are keeping up with the changing times. With the costs of expansion or retooling totally, if they could satisfy the American market and the Canadian market from the same plant, what incentive then is there for them to make that investment here?

Even though we are probably one of the most free trade countries going already and even at a time when tariffs are being reduced even further, what possible rationale would a firm have to locate here when it can compete and simply put this on its end run, because they are supplying all kinds of states in the union that are much bigger than we are and doing it successfully? What is going to be the magic formula that says to them it is more profitable and more sensible to invest here?

Dr. Britton: There isn't one.

Mr. Martel: That is the difficulty then with product mandating. It is just a hope.

Mr. Turner: May I interject just for a moment?

The Acting Chairman (Mr. G. Taylor): Is this a supplementary?

Mr. Turner: I hope it is. Getting back to an earlier observation that you made in respect to some of the companies you have mentioned, you said that government procurement policy was a deciding factor in research and development.

Dr. Britton: As far as I can remember from reading this report, that is what it was.

Mr. Turner: Would it not, in your opinion, be feasible to at least think that especially in areas of high technology, medical equipment specifically, where they are almost custom made with very low production figures, that it would be feasible for a company in order to get, if not Canadian orders, Ontario orders to set up a plant in Ontario?

 $\underline{\text{Mr. Martel:}}$ You have just given the reason why they will not. They do not have enough market.

Mr. Turner: Yes, but the market at any time is small, even in the United States or any place else.

Mr. Martel: Sure, it is small, but what are you going to do? Are you going to locate a plant here to supply a market at most of 24 million people?

11:10 a.m.

Mr. Turner: No, you miss the point. The plant would be established here, not only to serve this market, because that could be satisfied very quickly, but also to satisfy other markets. Is that wishful thinking or is that a possibility?

Dr. Britton: I don't think it is wishful thinking, but the success of medical firms is going to depend on--

Mr. Turner: I just used that as an example.

<u>Dr. Britton</u>: But it is an important one because there is presently a government-industry committee sitting on trying to sort out exactly how some sense can be made out of the hospital equipment and medical field. I wish them well because there sure is a lot of research that is not turned into products. But that is a field where, for a real edge in terms of the research or product development, the innovation side is exceedingly important.

 $\underline{\text{Mr. Turner}}\colon$ We already have some of those plants here in Canada producing other things.

 $\frac{D_{f}\cdot Britton}{Britton}$. The way it has been described to me is that the industrial base for the medical and hospital equipment industry is weak but the research base is strong. In other words, some sort of attempt to build larger firms or consortia of firms, particularly with some government help, is perhaps the way to go.

 $\underline{\text{Mr. Mackenzie:}}$ Wasn't that also the case with computers or wasn't it anticipated a few years ago that this is one of the areas where we could really move in? Certainly the figures suggested in your paper do not show that.

Dr. Britton: Don't show what?

Mr. Mackenzie: That we have increased our share--I don't know about foreign markets--certainly of the Canadian market in terms of computer production.

Dr. Britton: Those figures that you quoted were--

Mr. Mackenzie: Devastating.

Dr. Britton: Yes.

Mr. Mackenzie: I can recall reading some information 10 years ago or better, when we were concerned even then about our production and were first really starting to talk about product mandating, that said one of the areas with a bright future for Canada was the computer.

Mr. Turner: We did start off with an edge and lost it.

 $\underline{\text{Mr. Mackenzie:}}$ Yes, but we sure as hell have gone from some 60 per cent to 90 per cent in imports now.

Mr. Turner: Right.

 $\underline{\text{Dr. Britton:}}$ Can I come back to the question that you put about United States firms and why they would produce in Canada if they could produce in the US region?

It seems to me that you are probably absolutely correct for some firms, but others could not care less about whether they are American or not. The only concern they have is whether they are utilizing the full potential for growth of the corporation and they will do it regardless of where their plants are located. If Canada happens to suit them, because the plant here is more recent or they happen to have certain other advantages, like government procurement or R and D subsidies or whatever it might be, then the newer plant in Canada might well be the one they will keep going and they will close the one in Ohio or wherever.

When all is said and done, a lot of American firms manage to keep going a Californian branch plant, which is within the United States and is a market the same size as the Canadian one.

From the point of view of geographical locational principles, the last thing you normally do is to establish a plant on the periphery of your total market area. And there is Canada's big disadvantage. While the dollar is down, to compensate for high wage rates and perhaps the longer distance in transportation, then plants will remain. Whether they are going to remain in the long run depends precisely on whether they do have products which are backed by innovation, research and new product development.

That is the critical thing. That is what is the core of product mandating. It is on the basis of that that I take exception in the discussion on the auto pact that there lies the difference between what American auto firms do here and what other American firms do here.

Mr. Cooke: How are we ever going to be assured, if we get the world product mandate for a particular product, we are also going to have a high CVA? In your presentation, you suggested that we have to convince firms to have a high percentage of Canadian value added. We have been trying since 1965 with the auto firms to increase Canadian value added. The one that is succeeding the best is General Motors which comes close to 80 per cent CVA. Even that is not what we should have; we should have 100 per cent. Is there a legislative approach or is it going to be moral suasion, which does not seem to work with these foreign multinational firms?

<u>Dr. Britton</u>: I think you have to try everything. You are good at asking questions. I do not think there is any point in us sitting back and saying, "Jesus, now that everything else has failed, what are we going to do? Let us forget it." We have got to try everything we possibly can. I think government procurement dollars are really very important in stimulating research in Canadian firms.

If you look at The Weakest Link you will know the position I have taken on those. If American firms or German firms in Canada can produce jobs which will give on-job training and will produce exports within the given industrial structure, then the investment is here on part. What are we going to do about it? Say we do not want it? It is highly desirable to have it in domestic firms, but I do not see barring that option.

Mr. Mackenzie: Professor Britton, just on this very question, yes, we can try anything or hope. But let me give you a small example, and examples are always dangerous.

The pride was obvious in some of the workers at the Outboard Marine plant in Peterborough in some research they had done and the development of solving a problem, something to do with the gears arrangement in the outboard motors, which, I gather, while small, was a major step in improving what had been a perennial problem with this big company in motor terms. As soon as we developed it in the Peterborough plant, and it was done by the workers and the engineers there, we ended up with the tooling and the expertise and the whole operation being shipped to the Waukegan plant. We have lost it.

Mr. Turner: Not as soon as it was done.

Mr. Mackenzie: Very shortly thereafter.

Mr. Turner: When it became convenient for them.

 $\underline{\text{Dr. Britton}};$ The potential exists for repatriation of a good $\overline{\text{idea.}}$

Mr. Mackenzie: As I say, the pride was obvious and it apparently solved a problem of long standing with the company.

Mr. Turner: On a worldwide basis.

 $\underline{\text{Mr. Mackenzie:}}$ We did not have it long before the head office pulled it out and now the tooling and everything has gone, I think, to the Waukegan plant.

 $\underline{\text{Mr. Cooke}}\colon$ Provisions like that, as I understand, are written into the F-18 contract. Any research and development breakthroughs in that contract after five years go back to McDonnell Douglas in the States.

Dr. Britton: Are you suggesting that we should discourage world product mandating?

Mr. Cooke: I am not as confident of it as you are.

Dr. Britton: I am just thinking that it is a way to put a bright side on a bad job. If you are going to have foreign firms and if you are going to have them dominating 50 per cent of what you have got, let us hope you can convert some of them into the production of new products instead of mature ones. That is the line I take.

 $\underline{\text{Mr. Mackenzie:}}\ I$ guess it is a crisis of confidence. I see the arguments for it but I see the difficulties too.

Dr. Britton: This would not be my first priority, not by a long shot, but I do not think you could sit there with 50 per cent, and all the large plants as well, a majority of plants, and ignore trying to improve what that is doing for the economy. But the other 50 per cent, or 44 per cent roughly, in domestic hands,

essentially in smaller plants, all the service industries supporting manufacturing activities, that has got to be the area that is encouraged.

Mr. Martel: Do you not agree that one of the problems--and you obviously do, as you mentioned it--is the proliferation of small plants? There are too many in the same sectors really. That is a deterrent to product mandating because most of them are just a mini-replica, where you could move the building tomorrow and pack your bongo balls and go home.

Dr. Britton: Sure, I do not see them staying, if that is what you want me to say.

Mr. Martel: No. I am not trying to put words in your mouth. Professor, we have had the Lamontagne report, we have had the Gray report, we have had the Honey report, we have had the Watkins report, the 21 reports of the select committee on economic nationalism in Ontario, and here we are. I sit today, having spent four years on one of those committees from 1971 to 1975, talking about exactly the same problems.

Sure, we are looking at how we can ease the burden of the people immediately because of plant shutdowns, whether it is severance pay or what. I am not sure the union was particularly happy when I termed it Band-Aids, but very necessary, for the overall problems confronting Canada and Ontario.

11:20 a.m.

It seems to me that what Ontario, and Canada, has to do in the most major way is to utilize its raw materials to its advantage. We at present in Ontario have some 34 exemptions to section 113 of the Mining Act, which allow resources to leave this country semiprocessed, unrefined, creating jobs somewhere else.

It seems to me that if Canada is ever going to make a start it must utilize those resources in the toughest, most hard-headed way possible to ensure they are all refined here. If anyone wants to utilize them--and we are the third largest producer in the world--we should say to companies, "If you want our product, you come here to produce it, to manufacture it."

Dr. Britton: Can I add a rider to that? If Canadian mining firms, all firms in the resource sector, would only try to buy their capital equipment in Canada from Canadian producers--

Mr. Martel: I would insist on it.

Dr. Britton: The only way in which you are going to generate secondary manufacturing, where the jobs are, is from the resource sector.

Mr. Martel: There are two select committee reports recommending government intervention, if need be, to produce mining equipment in Canada. It is an area where we have an internal market sufficient to support a viable manufacturing sector--and not only internally. I think the Canadian market is

big enough to support it because we have a billion dollar deficit at least annually, and there also could be exports.

Despite the recommendations of two select committees, the 1978 committee on Inco layoffs and the select committee on economic and cultural nationalism, tabled in about 1972 or 1973, here we are still frittering away. Governments postulate and talk about it but they do not do a damned thing about it. I sit here so bloody frustrated. There is not an argument, except maybe on product mandating. I just see that as trying to convince multinationals to give us something of the pie. I do not think that is going to work because I do not think there is sufficient reason.

I have listened to your reasons carefully, but there is still the fragmentation, the little plants, most of the research done in the United States. If one just looks at engineering, for example--and you talked about the policies you would enunciate--we discover we import 10,000 engineering jobs a year. Imagine a country this size, in this day and age, importing 10,000 engineering jobs per year. We got that from the professional engineers.

What in the hell are we all about? When is this country going to adopt imaginative policies that are going to make this into a country. We have everything except the desire. We have educated people, a highly skilled work force, resources, the finest rail transportation system on the North American continent and we do nothing with it except give it away. The threat that is always held over our head is that if we get too tough in Canada they will not invest here. Damn it, I wish they would not invest here, and that would make us invest.

We also had on that last select committee Professor Conway who said, "Look, there is more money in Canada than we know what to do with, but it is all in banks and insurance." Everything is there except the bloody desire to make this an independent country.

Dr. Britton: I think you must have read The Weakest Link.

Mr. Martel: No. In fact, I sent Bruce McCaffrey a note because we argued this yesterday. He said to me, "You are living in the past of those 21 reports you helped to draft from 1971 to 1975." I sent him a note and I said, "Since you are listening to Professor Britton, I want to advise you that I did not help him write his book. He did not even consult with me."

<u>Dr. Britton</u>: The only departure we make from those earlier reports is that we try to combine together an exclusive reference to the rapidity with which technology is changing, with a focus both on the types of jobs as well as the types of trade patterns that are emerging. But as far as product mandating and all that other stuff goes, what you are identifying is a very clear difference in types of products as well.

There is another dimension to what you are saying which I think is important here. When you talk about mining equipment to a large degree you are talking about equipment which is going to

sell or is required on a performance basis. It is not a large market but it involves very expensive items of equipment where production runs are not long, where there may be a half dozen or a few dozen sales on a worldwide basis. It is capital-intensive and the products are very technology-intensive as well.

With the exception of firms like Black and Decker, which I think are in the minority, most of the firms the science council investigated that had world product mandate had products that were really for industrial or some other market like that. They were not the mass consumer market goods. They were performance-maximizing goods and therefore one can envisage the possibility, whether we like it or not, that limited production runs, performance specializing goods could be produced here under world product mandates in some firms.

The possibility that Canada is suddenly going to turn itself around into producing for world consumer markets is very unlikely, even among domestic firms, unless it happens to be products like those which have design excellence or some sort of aesthetic appeal or something like that where the market is a high-income market and is quite limited, although it is a consumer market.

I am referring to the sort of things you see coming out in home furnishings from some of the Scandinavian countries, Italy and so on. If that came to pass, that is the sort of thing I think would be more likely to develop. These would be goods appealing on the consumer side to high-income sales or industrial sales of the sort you are talking about which have a limited world market. There is going to be some manufacture of them somewhere.

Mr. Martel: When I talk about a manufacturing company for mining equipment, I am not talking about a foreign firm.

Dr. Britton: You are not talking about private firms?

Mr. Martel: No, it could be private. I have no hangup as to whether it is private or not. I am only adamant that the damn thing starts. To this time in history, no one except Jarvis Clark in North Bay got into the field.

<u>Dr. Britton</u>: We can talk about a lot of resource industries--not just mining.

Mr. Martel: When you mention we cannot get into consumer markets, I am amazed that in Canada about 80 per cent of our bloody hockey sticks are now imported, as though we had no wood, and we are importing from Finland. There is something strangely lacking in our economic planning. I come from northern Ontario where we see town after town becoming a ghost town. We have not even got the capacity, the desire or the imagination to alter what happens. Why are we not producing hockey sticks for the Canadian market? Why are we importing most of our bloody skis? What the hell is the matter with us?

Governments always play this stupid game--we cannot interfere in the free enterprise system. But, hell, we are interfering every day, with government loans, grants, tax

concessions and you name it. Yet we do not have the desire. We use that great myth that we are interfering in the private enterprise system.

 $\underline{\text{Mr. Turner}}\colon \ \text{Do} \ \text{not} \ \ \text{go} \ \ \text{back to that free trade question}$ again.

Mr. Martel: Do you know what hockey sticks are selling at today?

Mr. Turner: Yes, I do.

Mr. Martel: Twelve bucks a stick.

Mr. Turner: At least.

 $\underline{\text{Mr. Martel:}}$ Large numbers of them are brought in from Finland.

Mr. Turner: Or the US.

Mr. Martel: What the hell is the matter with us? We can't produce a hockey stick when we have more wood than we know what to do with?

We will remain like this until we have committees, regardless of political structures, that say this damn structure has got to change and are prepared to admit that we are involved in the free enterprise system every day of the week. If they are not going to get off their backsides with their expertise, then somebody has to. Nothing is going to change until we do that--nothing.

Dr. Britton: This is where the notion of levying comes in.

 $\underline{\text{Mr. Martel:}}$ I sit here and I listen to you and I listen to people we have had in, and it is the same material I have heard before.

11:30 a.m.

Dr. Britton: To my knowledge, no government in Canada has implemented something of the levy as opposed to the grant or tax concession as an instrument. Is that correct?

Mr. Martel: I do not think so. The only government that is insisting on resources remaining in Canada is Saskatchewan.

Dr. Britton: Would your party support that type of thing? Is there a possibility that would be implemented?

Mr. Mackenzie: There is a possibility we can deal. I think what they did, in spite of all the opposition in terms of the potash development in Saskatchewan-this is not a manufactured product--was certainly beneficial to the people of that province.

Mr. Martel: And to Canada. They did the same in oil.

Mr. Mackenzie: It took (inaudible) per cent ownership to do it because they could not do it without being tied up forever and a day in the damned courts.

Mr. Martel: When the gas industry threatened Saskatchewan five years ago and met with Blakeney, he just told them, "Pack up your rigs and go home if you feel that way, but we are going to play the game by our rules."

And they have more investment. The arguments we get around here are so spurious. Saskatchewan last year had \$80 million in mineral exploration and I think Ontario had \$27 million. Sure, uranium and gas were certainly two of the reasons they are going there. But companies will abide by the ground rules if we are prepared to lay them down. Around here whenever you talk about it the finger is pointed at you and they say, "We are not getting any investments because you guys are doom and gloom."

We live in a dream world. Maybe things have come too easily. We have taken the easy route out, I think, historically in Canada. We have never taken the tough route to independence. We have sold off, we have given away, we have given grants, and we have never taken the tough route to develop a basic structure in Canada which is Canadian-dominated.

I do not think we will get this committee to make those recommendations, I really do not. Some of us might probably end up writing a minority report and that will not carry any weight because it is a minority report.

Dr. Britton: I do not think the federal government is either.

Mr. Martel: No, that is right. They are no absolutely no different. That is what is so despairing about the whole thing. How many more reports does Canada need to wake up?

Mr. Turner: But has not the problem intensified in the postwar period? It would seem to me that up until that point there was an identifiable Canadian industrial image.

Mr. Martel: When was that?

Mr. Turner: Up to the Second World War.

Mr. Martel: No, it just changed from British control to American control, that is all. That is what happened in Canada. We just moved from British imperialism to American imperialism.

Mr. Turner: It seems to me that I can recall various products manufactured here in Canadian companies that were taken over and we lost control.

other group of people who came to us from 1971 to 1975 were the small Canadian entrepreneurs who went to the Canadian banks and tried to borrow money. Some American firm came up, borrowed the money from the same banks and bought out the Canadian enterprise.

I could not help but read an interesting comment by MacIntosh of the Bank of Nova Scotia yesterday. When he was asked what the responsibility was for the development of Canada by Canadians, I think he made the response that the bottom line for the banks was profits.

We had them before us. You would have been proud of us in Switzerland when we threatened to nationalize the banks there. They were not very receptive of Mr. Deans and my suggestions.

Mr. Mackenzie: I think we have been sort of bleeding this area to death, so I am not going to spend a long time on it. My concern is in your report, in the summary and conclusions. It is really a devastating indictment of what the hell we have done in terms of our economy in this country.

I have to hark back to my colleague's comments on the report they wrote five years ago. We have not answered these. With my limited education and ability to reason, the thing that has been bothering me most of all is what we can do in a positive way to get this economy into a position of providing jobs.

That is why I have some difficulty even in this committee. I understand our mandate is one where we are going to have to reply with some immediacy to the problems of workers who are being hurt as a result of plant shutdowns. That probably means that our emphasis is gong to be on those measures, Band-Aid or otherwise, that may give some relief to workers. I realize that the opposition that is going to come to any suggestions we make is going to be opposition that says, "Hey, somehow or other we are threatening our ability to provide jobs or attract investment in this country."

I am left in my own way with the realization that our problem is much bigger than just the immediate recommendations we make, and I have no problem with those at all. My whole background is one of working with working people, and I see that as a priority--others may or may not. So we are going to have to make some recommendations in that particular area.

Our problem is a wider problem. I have enjoyed your paper and the comments here this morning, but one of the things that you seem to be putting some emphasis on is that, "Hey, we may be able to do it with some form of this product mandating argument."

<u>Dr. Britton</u>: I think it is wrong, because it happened to flow out of the conversation, to put too great an emphasis on that. I think the arguments that have been presented are fairly valid. On the other hand, there is the problem that I have all the time in saying, well, what is going to happen? We are talking about a pattern of change which if it was successful might start producing some clearly positive effects by 20 years down the road. It is not a five-year or even a 10-year thing; it is a sort of generation of change to start with.

Mr. Mackenzie: Let me raise then the fears, and I have not written that off. In terms of planning, which I have a fair bias for also, it seems to me to make some sense that there are

going to be Third World countries and new developments around the world that are going to require that various people get their share if we are going to live in any kind of a world community.

Dr. Britton: Absolutely.

 $\frac{Mr}{I}$. Mackenzie: I have some understanding, at least I think $\frac{1}{I}$ do, of the possibilities or even potential in world product mandating.

My counter to that, or my concern with it, is a comment that I think was made by one of the professors yesterday. We have some tremendously powerful and large multinational corporations now. That has been the trend. Most of the bigger ones are bigger than many world governments. The caution was made to us yesterday that if we let the corporations do the planning we are in trouble because there is no national loyalty or interest in most of them.

Dr. Britton: That is why I made the comment about just because a firm has its headquarters in the US does not mean it is respecting US interests.

Mr. Mackenzie: Exactly, or anywhere in the world. So we are now taking about the possibility of world product mandating, even if we should not stress it, as one of the ways out of the kind of problem we are in.

Dr. Britton: It is better than what we have got now.

Mr. Mackenzie: Is it?

 $\underline{\text{Dr. Britton}}$: I think what we have got now is pretty rotten.

Mr. Mackenzie: That comes through. It is an indictment of our system. But unless we have got some kind of national control, we are then saying that we are going to turn over totally to the multinationals what I think is going to have to be a government mandate--I do not mean to run everything, but in terms of making the decisions. We are turning it over in many cases, because there are not that many small firms that compete worldwide, to the multinationals that are into the major areas of business. We are saying, "Do the planning. Work it out so that we have got some kind of global product mandating." Certainly there seems to be an awful lot of faith in them in terms of our minister, Mr. Grossman.

Dr. Britton: Can I comment on that?

Mr. Mackenzie: That is what worries me. I do not think we can do it.

Dr. Britton: Everything we had in here, whether some people liked it or not, was really predicated on the basis that you put a cordon line around what we have got at the moment and do not let any more in. You try to control the amount of importing of technology, whether it is in components or subassemblies or blueprints, patent specifications or whatever, so that you do not

have a greater foreign control of the industrial economy, because more is coming in that way. Also, as that appears to be occurring--though whether it is or not I do not know--you enforce the FIRA operations even more than they have in the past. You control the amount of foreign investment that is coming in.

Then you are left in a sense with a stock of foreign firms which is not rejuvenated by new capital inflows--there is plenty of capital generated from their operations here--and over time you say either that is going to be progressive and shift in the direction you want it to shift or it is going to disappear. One of the ways in which it can shift is into product mandating. But with lowering of tariffs, unless there is product mandating, the chances are that they cannot survive. There is no rational way in which they can survive.

11:40 a.m.

Mr. Mackenzie: I understand. I wish I could put better what is bothering me. What I start coming back to--and it scares even me--is that, even if it is one of the ways out, and I can see some of the potential benefits of it, can we afford any kind of a product mandating argument? Are we not leaving ourselves so vulnerable that the only answer, until we have come a little closer to some form of world government-- I hate to get this far ahead of ourselves--is that we are going to have to have the capacity to do a total manufacturing job in more items even if we have the small runs here?

<u>Dr. Britton</u>: I don't see how you can have small production runs of consumer goods where you are looking at price-sensitive markets from a Canadian base unless they happen to be highly innovative products which have a sales base greater than Canada. Likewise, I think I am pragmatic enough to think that Canada is not going to be able to exclude multinationals either in 10 or 15 or 20 years down the road.

In a sense, it is a question of living with those that are already here at least and attempting to say: "On what basis can Canadian industry develop? What are its markets which clearly are domestic and large enough to support Canadian firms in secondary manufacturing?" Telecommunications, transportation, urban transportation, fisheries, northern resources, mining, forestry and agriculture would appear to be the things particularly strong in the Canadian endowment but which require large applications of industrial technology. We say Canada would be wise to build on that base.

That is then the way in which Canada gets into electronics because it needs it for telecommunications across a linear settlement pattern or electronics in the fishing industry or other types of capital equipment used in Arctic mineral exploration and extraction and processing.

The idea that Canadian industrialization should be based upon a series of consumer products which is predicated upon the variety of those products that the American market can sustain is ridiculous, particularly when at the moment they are manufactured

in plants that have so short production runs that the price Canadian consumers are asked to pay are quite inflated compared with what you can buy those products for over the border.

 $$\operatorname{\textsc{Mr}}$.$$ Mackenzie: Okay. Let me get product specific and I will end with this if I can.

One of the things that has always amazed me is the fact that in something as basic and simple as tomatoes, which we all use if you like spaghetti and pastas as we do at my house, we canned about 80 per cent or 78 per cent or so of what we produced as recently as the early 1950s. The growers whom I have talked to--and I have no ins with the farming community at all--tell me that we can produce 100 per cent of our canned tomato needs without any problem in this country. We may or may have to pay a little more in terms of canning, I don't know. But we are now down to about 30 per cent production and we are importing almost 70 per cent.

That changed in 25 years. That's crazy; it doesn't make any bloody sense to me at all. That is a product our farmers can grow that we could have canned. We have shut down a hell of a lot of the small plants. Maybe some of them were inefficient.

But is it not then an area where the only answer is for the government, some way or other, to say, "Hey, one of you bloody producers is going to have to enlarge your facilities and you are going to have to produce and can here; and we are going to have to stop importing almost 70 per cent of the canned tomatoes that we do"?

Dr. Britton: I have no objection to government deciding that it can make some sensible market decisions like that.

Mr. Mackenzie: As I see it, that in no way can relate to any kind of a mandating program, but it is the only thing that is going to salvage some of our industry and products. I guess it is a self-sufficiency requirement.

Dr. Britton: Yes. But likewise I would say where it is known that there are certain markets and that certain sales will be made of certain types of products in Canada for a variety of provincial and national government departments, for example, in various operational areas,then a rational pattern of behaviour is that those things be produced in Canada, at least so that spinoffs in terms of expertise, of industrial capability, scientific capability and so on can be obtained.

It is not simply the production of products; it is the knowhow to produce future generations of products. As soon as you import the first one, you are in a position where you have to make the decision, do we import or start up for the second generation of everything? That is exactly, it seems to me, what happened with office equipment, computer equipment and so on.

Mr. Mancini: We have had a very wide-ranging discussion this morning about many different topics, some of them relating

specifically to the immediate problem we have which is writing the second portion of our report.

I was quite interested in some of the discussion raised this morning, in particular, the auto pact. I have been one who has believed and still believes that the auto pact has been a fairly good instrument for Canada. With some changes we see that are necessary, I think it can be a good instrument for Canada in the future. Because of the auto pact and because of international trade union agreements more or less, I believe that Canadian workers have been able to raise their wages substantially through bargaining negotiations made by the UAW.

Because of that, I believe other workers have been able to use these agreements as targets to achieve. Therefore, I believe, in general the auto pact has raised wages for Canadian workers in many different sectors and I think that has been good because it has made it possible for workers to buy their own products. In many countries of the world that is not possible.

Before I leave the auto pact, I do not think it is a secret, and I think people from all sides of the political spectrum would agree, that the auto pact has been extremely deficient in the parts area and in the research and development area. I firmly believe if those two areas can be brought up to a realistic level, the auto pact will serve us for many more years to come.

I would also like to make comment about government involvement. I am one who believes there is a significant job for private business. I also believe there is a significant job to be done by government. Maybe governments are not moving fast enough right now, but for anyone to believe, to assume or to say there is no government involvement in the economy and that we have a capitalistic free enterprise economy, frankly I do not believe it.

I think there is a lot of government involvement in our economy. Our largest public utility in the province is a crown corporation. Our transportation systems--Air Canada, CNR, Via Rail--have government involvement. In Saskatchewan the government has taken over a large portion of the resources and has made huge profits.

The Saskatchewan Potash Corporation has made as much profit as any private company. That in one way surprises me because potash is used for fertilizer which is used to grow food--the most important thing we need in the world. Half the world is starving and the potash corporation in Saskatchewan has not been embarrassed at all to make huge profits from its resources.

11:50 a.m.

The federal government is moving in a way in which, I believe, by 1990 it will own 50 per cent of the oil and gas industry. I think it is an ambitious program. It is going to be costly to buy all of this back and it is going to be very expensive for Canadians.

When we say the government has to move into these fields,

the only way the government can move in, professor, and you know this-this is very elementary-is to take money out of Canadian taxpayers' pockets. They have to take it out at a rate where they do not impose a lower standard of living on these people, the Canadian workers. It is going to cost the federal government billions of dollars to buy back the oil and gas industry. We could get into a debate as to why they did not do it 20 years ago or why something was not done 100 years ago. That theoretical debate is not going to help us now.

There was a great deal of discussion this morning concerning which sectors of the economy the government should get involved in. I liked your point very much when you stated that we cannot make our decisions on a relatively large group of consumer items or toys or anything that we think might be popular in the United States within the immediate future. We cannot make our decisions on what we think will be significant consumer items in the United States.

Then you stated that the field of agriculture, the field of resources, possibly research and technology, are the areas in which Canadians can be leaders, and I agree with you completely. In that area I think possibly governments can move quickly and inject more money if it is possible to help the industry to become a world leader. As a final resort, if absolutely no one is interested and if only foreign multinationals want to come in and take our valuable resources and then leave as quickly as possible with as much profit as possible, then of course we have to make other decisions. I would hope that governments are prepared to do that.

Yet with all the discussion we had this morning and with all the theoretical beliefs expounded, we still did not spend enough time discussing the immediate and the medium-term problem of plant closings. I will end my comments that way. Do you have anything else to add or to suggest?

<u>Dr. Britton</u>: I would like to put on the record that I did not recognize the things you said I said as what I did say. When I am talking about actions the government can take, I think it is very important to recognize that governments buy, but governments are not particularly interested in the way in which those purchases are made and whether they are made from domestic sources or not.

I do not see evidence, though perhaps you could supply it for me, that there are strict auditing procedures that Canadian sources are always used. It is not a question of extra revenues being required; it is a question of disposition or allocation of the revenues that are going to be spent anyway. Often it is a question of supplying sufficient lead times to domestic firms so that systems and products can be built in order to meet domestic requirements of government.

As far as the auto pact goes, I understand what you are saying about improvements that it introduced. The question is whether those inprovements were sufficient and what would the alternatives have been. Certainly the nature of jobs did not

improve particularly under the auto pact. Certainly what has resulted is a pattern of jobs for production workers and others which is not commensurate with what has occurred in the United States. Certainly there were wage increases, but then those wage increases were part of a spiral of wage increases which did the Canadian economy no good.

Mr. Mancini: That might be your opinion, but do you not remember the cry for wage parity on the part of Canadian workers?

Dr. Britton: The other wage increases that were not part of the spiral were a good thing for the Canadian economy, given that productivity levels in other industries, other than the auto industries, were not as high as those in the United States. So it was a two-edged sword. It improved consumption, but on the other hand it improved inflation too.

Mr. Mancini: Can you in all honesty sit before us and tell us that a Canadian automobile industry would have been able to provide the number of different types of vehicles that are available by any one of the Big Three?

Dr. Britton: Are you honestly telling me that it is important that there is that variety?

Mr. Mancini: Yes, that is important.

Dr. Britton: I don't believe that.

Mr. Mancini: It is important because the majority of all Canadians live within 100 miles of the American border. They get all the television advertising. They get all of the big sell on what kind of car they should own, if they want a hatchback or a four-door or one with sleek lines or a box-type.

I can tell you, sir, that the Canadian consumer wants a wide variety of automobiles. If we had a Canadian automobile industry that did not provide it, they would be buying other automobiles, as was proven in the last three or four years. When the Big Three did not provide fuel-efficient cars the Canadian consumer went to a company that did provide them. They would have done exactly the same thing as far as style and as far as appeal goes.

Dr. Britton: What you are saying is that if that is the best deal that Canada can get then Canada cannot get good deals when dealing with multinationals.

Mr. Mancini: I am saying that the deal was good for a while and now the deal needs to be changed.

Mr. Cooke: When was it good? Follow the history of the auto pact.

Mr. Mancini: From 1965 on the deal was no good, eh?

Mr. Cooke: Take a look at the history of the auto pact and tell me if we've got our fair share at any time during the auto pact.

Mr. Mancini: We don't want to take up the whole of the committee time for that. At any time we can debate when the deal was good.

Mr. Chairman: Mr. Mancini, if you have completed, Mr. Taylor is next on the list.

Mr. Mancini: No, I want to hear from the professor some immediate recommendations.

Mr. Mackenzie: He cannot understand your questions.

Mr. Mancini: I know that--what's his name?--Professor

Mr. Mackenzie: There is no professor here by that name.

Mr. Mancini: --has a lot of knowledge and also he is the only one who has ever worked with working people. So he is rare and unique in many ways. But I want to hear from the professor. We have spent a whole morning here and I want to know if he has any special recommendations for the short and medium term for the committee for our report which we are going to have to write within two or three weeks.

Dr. Britton: I am sorry I refused to treat your question seriously, because I didn't--

Mr. Mancini: We have been taking you seriously all morning. Maybe we shouldn't have; I don't know.

Dr. Britton: I prefaced my remarks this morning with the note that the work I had done was on the structure of the Canadian economy and was concerned with longer-term aspects and that, essentially, the major contribution I could make to the discussion is that you must recognize that with these structural changes closures of plants would have occurred whether there was a recession or stagflation or increases in oil prices or not.

Mr. O'Neil: You figure they would have closed anyway?

Dr. Britton: I think so, though perhaps not in the same time frame. The developmental problems that were set in train in the 1960s that we have examined would clearly indicate that the Canadian economy and, therefore, in this case particularly, the Ontario economy, would have had to have changed by now.

If you allow that additional pressure is applied by the particular cyclical and pricing problems that we face at the moment, they are on top of what is already a pattern of change that has to be coped with. In that sense, the earlier debate that we had this morning is relevant because it gets into some of the questions which might be pertinent to how those changes can occur.

But what you do in the short run, it seems to me, is you recognize the new needs that Canadian industry or Ontario industry is going to have if it is to be successful. These needs are in terms of manpower which is trained in industrial skills. It seems

to me that is one of the concerns that the Ontario Manpower Commission has under the chairmanship of Don Pollock. You have recognized that in your first report.

12 noon

Otherwise, it is a question of severance payment and other issues about which I know nothing. The short-term palliative is an area in which I have no expertise at all.

I do recognize problems in the supply of labour to meet certain demands in the Canadian economy. That is one area in which retraining and manpower policies that you could recommend may be quite a positive step forward on a developmental path. There is a jointness between what you must recommend in short-run concerns and the things that must be implemented to support Ontario economic development in the medium and long terms. That is the best answer I can give.

Mr. G. Taylor: Professor, I have three questions. I recognize that it is difficult to go back, but if we follow part of your thesis or position, it would be that if we had remained with the McLaughlin car and gave the public the variety of choices that Mr. Mancini has mentioned they desire, we would probably have a McLaughlin car plant in Sweden and no Volvo plant in Canada. I guess that is the reverse.

In some way or another you have to make a government policy that you will take away that selectivity or variety. Similarly, if we went back to just after the Second World War when we produced roughly three or four different cars in this country, total production lines, then the larger cars that had large tariffs on them and one paid the tariff to get an Oldsmobile, Buick or Cadillac and that variety if one could get them.

Is there any possibility of reversing the trend we are presently in, particularly in regard to the auto pact? I know it is a scholarly subject that everybody is writing on. Is there a place for greater involvement of the government? Is there a possibility, considering today's economic forces, to retrench ourselves, not quite back to the McLaughlin days, but is it worthwhile going backwards in that field?

 $$\operatorname{Dr.}$ Britton: I am not sure on that. I do not think I see any new auto producers emerging on the world scene.

In that global sense, the power lies with some of the major international corporations. I think the prospect of some sort of new firm emerging, the renaissance of McLaughlin or something like that, is just not on. I think that while the Swedish experience suggests that something like that might have been possible in Canada, Sweden did not have the United States right next door with the cultural affinity that exists between Canada and the US. This inevitability of cultural geography, if you like, is something we just have to bear with. It is a fact of the situation.

f Chial Canada is in a terrible situation in the auto industry. One of the options might well be to concentrate on the

parts production and subassemblies, with whatever assembly is permitted or arranged or negotiated by whoever is left amongst the assembly firms. But the assembly firms are so powerful in arranging contracts within the United States between firms that are linked financially or powerful enough to have their own parts production plants that Canadian parts producers of new equipment suffer.

I am not very optimistic about the industry at all as the basis for development. I think it is a question of negotiation to hold on to whatever parts of the industry Canada can hold on to. The opportunities for development lie not in an area of retrenchment as well as technological change which has produced the severe strains in the auto industry; they lie elsewhere in those other industries particularly related to the resource base.

Mr. G. Taylor: I guess that is somewhat the theory that is put forward as to Japan's present philosophy. If the market gets crowded for them and they really cannot compete, they shift their forces elsewhere by way of involvement by banks, government and plants. I think that is one of the philosophies they put forward as to how they keep their industrial momentum going.

Dr. Britton: Japan also is in a situation where it is not trying to buck the tide whereby there is a filtering down of industries from high-wage, technologically-advanced areas to lower-wage areas. What Japan is doing, unlike the United States and Canada--its wage structure is lower and productivity is higher--is divesting itself of its auto industry. A large volume of cars and parts are not being produced in Japan by the Japanese auto industry; they are being produced elsewhere in southeast Asia. By 10 years down the road I think that Japan is expecting not to have auto assembly plants.

On the other hand, what we are experiencing here is the attempt by North American producers to compete against the costs of newly industrializing countries with the auto industry but with Japanese technology.

Mr. Mackenzie: By controlling the technology they are getting a piece of the action through the arrangements they are making without doing the actual production. Is that what you are saying?

Dr. Britton: Yes.

 $\frac{Mr.\ G.\ Taylor:}{}$ I have two questions left, carrying on with that one.

Are there any study papers or papers that were part of your work here which would show where the federal government, which does a lot of our offshore negotiating, gets into situations that produce tradeoffs that really are devastating or even detrimental to our local industry? You could count tomatoes as one of those, or Russian tractors, where we are selling bigger product lines, such as wheat to Russia, but when we get down to the nitty-gritty we have to take as tradeoff or for currency purposes some of their tractors, even though one might say we have a home-grown tractor

industry or some other farm implement business here.

Is there any study paper done on how that is affecting our local material that we might not be aware of?

- <u>Dr. Britton:</u> In other words, by negotiation Canada imports something that otherwise would have been produced here?
- Mr. G. Taylor: The Lada car, for example. We might say: "Keep your Ladas there. We don't need any cars in this country." I suspect that they are here because they say, "Yes, we buy some wheat from you guys, so you had better take some of our cars for the exchange of hard currency."

Dr. Britton: I have never seen anything on that.

- Mr. G. Taylor: I assume that it does take place. I didn't know whether you could confirm that.
- <u>Dr. Britton</u>: No. I have the suspicion that certain deals are made and I read about them in the financial pages of the Globe and Mail, but I have not seen anything other than that.
- Mr. G. Taylor: I have a last question which Mr. Mackenzie raised and I wanted to get your definition. He used the example of Outboard Marine where they devised a better gear method. In the definitions does that not come under product improvement and is not included in the world mandate?

Dr. Britton: Yes.

- Mr. G. Tayor: I just want to get the definitions straight for this committee if I can use you as a source. That is not in the world product mandating definition; that is product improvement.
- Dr. Britton: Yes, but those can be related. The problem is that there is an overdiscussion in Canada of research and development when the concern should be with the development rather than the research part and therefore with product innovation and product improvements. The range of those product improvements can be quite substantial, from sort of near breakthroughs through to small improvements, which increase the performance characteristic or aesthetic appeal or whatever it might be of a product.

What happens to the product when an improvement is made in prototype form is quite variable. One could envisage a situation where an improvement is being made and the stage two prototype is available in a multinational firm. This work has been done in Canada, and then head office says, "Fine, that is going to be our new product line," and it is exported to the parent firm.

12:10 p.m.

Alternatively, the parent firm may well say: "Okay, you have developed that expertise. We are not going to take that. That is going to become part of your plan of action and the way in which you as a subsidiary operate. We are going to regard you as solely

autonomous. You have your own product range and you also sell part of our product range and we sell your product range that is peculiar to you. We act as your agents in the United States, or wherever, and vice versa." So you have the linkages between the components much more tenuous than we perhaps more commonly understand.

In the case of Outboard Marine, from what you have told me and what I have picked up in the notes, it seems that the control is very tight. That plant is like a puppet on the end of a string. The same thing might well be true for a number of the firms in electrical appliances under American ownership in Canada, but it is not true of all firms. The styles of corporate organization vary, the degree of autonomy varies. The way we are taught the degree of autonomy is not expected to change and product mandates can emerge.

In the Black and Decker case it appears there is that measure of autonomy which says yes, it is possible, and that is a consumer good. In other cases expertise is being developed in particular industrial and defence areas and product mandates have been awarded there. One might suspect that mandates are awarded on the basis of, "We do not think it is going to work; you guys can have a go at it if you like"--that sort of basis.

Sometimes there is success, but we are second guessing. One cannot get inside the boardrooms and find out how it did occur. But innovation and mandates are definitely linked. There are not going to be world product mandates for obsolete or mature products that have little potential for growth and sale or where there is not some expertise required to maintain the market edge of that part of the firm with a sequence of product improvements and new generations of products in that line.

Mr. G. Taylor: Similarly, I guess, you could carry your argument, when you have a consumer product, even if it happens to be mandated for the world, you are still in all of those lines taking a risk as a product changes or dismisses itself, even with the Black and Decker situation.

Dr. Britton: Yes. Ultimately, everything is risky like that. Where it has not been induced by government action, then at least government action is available to help reduce some of the risk of it being withdrawn.

Mr. G. Taylor: We had an individual before us earlier on in regard to mining machinery. His argument was that it was a cyclical business. It was heavily capital intensive to get into and if you did not choose the cycle right you would be out of it very quickly.

How would you refute that argument? It is one Mr. Martel puts forward frequently--that we should be in the heavy mining equipment industry. The bits of facts he puts forward give it a great deal of appeal to us. It seems illogical that we are not in it.

Dr. Britton: I suspect it would have been easier to have

done it 10 or 20 years ago rather than right now.

Mr. G. Taylor: I recognize that, but I could see the machinery running around the tar sands, for example. It is custom machinery, it is what I would call heavy industrial machinery technology. They are not selling two million of them.

Dr. Britton: They are just going to produce one.

Mr. G. Taylor: What prevents that? Is it again the lack of the total package of skills? That a company is selling those custom skills elsewhere; is that our difficulty? Perhaps if I decide I am going to need that big piece of machinery I know there is a firm in Sweden or in the United States that specializes in that, there is a whole package of engineers, machinery men, the material background and such--

Dr. Britton: I think the best way to answer your question is to say at times I read things about the way in which Canadian engineering has established a world reputation in certain types of civil projects. In a sense they are spinoffs from getting engineering contracts in Egypt or Iran or wherever which have a spinoff in equipment supply industries in Canada.

What we are really looking at here is the hope that, since there is a domestic demand of resource industries for consulting engineers to produce capital equipment, not only will the engineering design work be done in Canada or more of it, but also some of the actual equipment manufacture will be done in Canada to supply Canadian resource industries. The evidence that was put before the select committee on--

Mr. G. Taylor: The one that he was on for four years.

<u>Dr. Britton</u>: Maybe it was that one--the select committee on something--I know I referred to it in here. It was able to contrast the way in which, say, the Canadian pulp and paper industries buy equipment internationally as against the way in which those counterpart Swedish industries were able to buy domestically.

So select committees in Ontario have examined this type of question and what we are doing is accepting the evidence as being reliable. What one should be trying to do is to induce changes in the way in which those resource industries buy their equipment.

It seems to me the federal government and the Ontario government have programs of demonstrating to resource industries and others that there is potential for some of the inputs to be supplied by local industry. It is a question of an expansion of what is a small affair into a very much larger one.

Mr. Mackenzie: When we were down in the Denison mine at Elliot Lake with the manager of the underground operation he was demonstrating to all of the committee members some of these huge drilling machines they are now using. He made the comment—I thought at the time it was significant—that his hobby, and he had spent months since they had brought in these big new drillers, was

modifying them. He said he had made a hell of a lot of changes to the machines that were there.

He added the comment, and this is the manager of the operation, that he does not know why in hell we were not producing them here himself. The modifications had also made them a hell of a lot more effective for something he was doing. He said it was his hobby but it was also what he was working on.

It surely pointed up, I think, that somewhere along the way we have missed the boat. I recall Mr. Allan's remarks that heavy mining machinery is one of the areas that we probably should have got into. Does that mean it is dead to us forever and a day? I do not know. If it was a mistake in the past, maybe it will not be a mistake in the future.

Mr. G. Taylor: I lean that way.

Another possible area is the pipeline which is being negotiated. Will it be using our steel or will it be somebody else's, do you know? That is government negotiation again as to what you will use to bring the oil and gas down.

Dr. Britton: The sense I got from that committee's report was that these problems were created by foreign firms wishing to buy from their domestic capital equipment suppliers. Therefore, the size of the Canadian market, while large enough to warrant the emergence of capital equipment manufacturers for those particular resource industries, was fragmented. Therefore, the Canadian part was residual and not large enough to sustain the capital equipment manufacturers even though there might well be innovation within manufacturing plants on equipment modification--

Mr. Mackenzie: Also without the direction or the policy intent. We are not going to get anywhere with this without being the--

Dr. Britton: Yes.

Mr. Chairman: That was very good. That was a good exchange at the end there too.

If there are no more questions and on behalf of the committee, professor, we want to thank you for taking the time to be with us. Our final report will be completed February 5 and we will see that you get one. You will see your comments reflected in our ideas in that report. Thank you.

Committee recessed at 12:21 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

THURSDAY, JANUARY 15, 1981

The committee resumed at 2:13 p.m. in room 228.

UNEMPLOYMENT IN WINDSOR

The Vice-Chairman: The committee this afternoon is hearing from the Mayor's Committee on Services for the Unemployed from the city of Windsor. The chairman has been delayed for a few minutes but as we have representatives from all the parties, we will get under way.

Would the gentlemen at the table please introduce themselves?

Mr. Ianni: Thank you, Mr. Chairman. My name is Ron Ianni. I am the co-chairman, with the mayor of Windsor, of the Mayor's Committee on Services for the Unemployed. I am delighted to be here this afternoon and I would like to introduce the members of our delegation.

On my extreme left is Mr. Ron Wagenberg who is a member of the committee; he is also an alderman of the city of Windsor. On my immediate left is Mr. Gary McCarthy, who is the executive director of the United Way of Windsor and Essex County; the United Way staffs the mayor's committee. On my right is Mr. Andy Simko. Mr. Simko is the labour director at the United Way.

Mr. Chairman, this afternoon I am in your hands as to procedure. We had planned tentatively that I would make a very brief presentation giving you some background on the organization of the committee and its work, after which Mr. Simko would give you one or two case studies of some of the actual problems in terms of people and names in Windsor. Then we would open up to questions from the committee.

I ask your indulgence on one point. Mr. Wagenberg this afternoon is wearing two hats. He is a member of the committee as a representative from the city, but he also has some comments to make in his own capacity as a person who is aware of the position of city council. With your indulgence we are prepared to give him some time to make a presentation at the close of our presentation in that capacity, if that meets with your agreement.

The Vice-Chairman: That's fine.

Mr. Ianni: If that is satisfactory to you and members of the committee, my presentation will be very brief. I would merely like to give you some background on the reasons why our committee was formed and its status in terms of reference.

I understand from your committee, Mr. Chairman, that your terms of reference deal with plant closures and related issues. Our presentation this afternoon will deal with related issues and,

to some extent, comment upon the social and human costs of unemployment to a community.

The mayor's committee was originally established through the initiatives of the social planning council of United Way, with the co-operation of the mayor. We have no official status. We are a volunteer organization based in the community, composed of representatives from social service agencies, from the churches, from labour and management and from the professional people in the community.

It was the feeling of a number of us, given the problems Windsor was facing, especially because of the downturn in the automobile industry, that it would be important for a committee of citizens to work together to ensure that they could facilitate the co-ordination of social service agencies in the community, and at the same time ensure that they set afoot whatever agency or facility we could in order to assist the unemployed worker in getting help from agencies, to make sure they were notified of what was available in the community.

As a subset of that it was hoped by our committee that we would ensure that there would not be any costly duplication and that any gaps in the social service system would be filled as a result of our monitoring and our co-ordination services.

With that in mind the evidence was before us, especially since the United Way agencies which are in close contact with the needs in the community, that they had experienced an increase in demand for their services ranging from 25 per cent to 375 per cent over the past year.

Our position originally focused on two specific items, the the identification of a front-line agency which would be publicized as being available to answer questions for people who are unemployed and referring them to the appropriate agencies, and secondly, for our committee to establish a number of action committees dealing primarily with four or five areas.

Our first action committee dealt with the collection of data. Through that committee and through the co-operation of a Manpower centre we were able to establish a model whereby, on a weekly basis, we received reports of the unemployment situation in Windsor and also a forecast of the number of people who would be exhausting their unemployment insurance benefits down the road in a period of three or four weeks.

This is the first centre in which, through the efforts of our committee, we were able to pressure the Manpower centres in order to ensure that this kind of information was available. It is important for any community that that kind of information be available to them.

Other action subcommittees were the service co-ordination, which speaks for itself. We had a number of people, representative of the various service agencies, who got together and tried to ensure that their services would meet the needs of the unemployed workers, avoid any duplication and ensure that there would be

increased volunteer help to assist them in their endeavours.

2:20 p.m.

The third and second-last committee I will talk to you about is the public information committee. We felt it was of vital importance that if the mayor's committee were to have any impact at all, it would publicize, to the unemployed, its activities and the services available to the unemployed people in Windsor. We did this by the publication of brochures, through spot announcements on radio and television and through the retention of a volunteer public relations individual who co-ordinated all these services.

Finally, and perhaps more important, there was a credit committee, which was given the responsibility of meeting with the credit granting and mortgage institutions to ensure that they reviewed their repayment policies, especially with a view to being a little more flexible with regard to repayment with people who were experiencing difficulties because of the layoffs. That committee embarked upon a number of very important initiatives, one of which was the holding of a public forum to inform the people of their mortgage rights and the various alternatives and ways in which they could contact the granting institutions.

Mr. Chairman, that is the background. We have presented to the clerk of the committee copies of a public report we presented this summer. I don't think I will bore you with the details of that report; it is there for your reading. I should indicate, however, the committee was given a mandate to ensure that the recommendations the committee had established through its experience would be brought home to the various levels of government.

You will see on pages 10 and following that we have summarized a number of recommendations to various levels of government. In particular, on page 11, second paragraph, we made some recommedations to the provincial government dealing with the Ontario Ministry of Community and Social Services. We asked that that ministry develop a mechanism whereby community agencies in areas, such as Windsor, where there was an extreme level of unemployment, be considered eligible for special grants to enable such agencies to respond to the increased demand for social services.

You will see the other recommendations there, Mr. Chairman. I would underline, in summing up those recommendations, that we are saying, from our experience it might be very important for a ministry to develop a model. Perhaps some of my statements will be self-serving here, and I apologize for that, but it seems to me the functions that were served by our committee were important functions. Had it not been for volunteer initiatives, perhaps these functions would not have been served and not have alleviated some of the problems that were caused by plant layoffs.

It seems to me it would be an idea for the ministry to consider developing a model at various stages, perhaps at seven per cent unemployment and over, indicating to the communities things that could be done in order to assist people who have

severe problems resulting from loss of income and layoff.

Perhaps I could supplement those three recommendations by indicating that the province, in its wisdom, in situations which are as severe as the ones faced by Windsor and other communities, should be flexible enough to review the subsidies they provide for public works. It may be that once again, on an interim basis at least, that would help to alleviate the situation in a given community.d

Ultimately it seems to me, from our experience once again, it is obvious in terms of cost to the community and in terms of human need that it is very important that there be significant lead time so that people in the community are aware of when there is going to be some substantial dislocation because of unemployment, plant closure or whatever the case may be. It is obvious that without that information, without that lead time it is difficult for the community to gear up and to notify social service agencies of the need for increased services and to assist in the volunteer sector.

It is unfortunate that these events usually intervene when it is very difficult for agencies such as United Way to depend on the normal contributions. I should indicate in the last two years the United Way, which has a very enviable record in Canada in fund raising for the volunteer sector, has experienced over \$1 million in pledge losses because of the layoffs. Of course it is at this very time when United Way and its agencies are asked for increased assistance because of the demand for services.

Once again it seems it is very important that not only Community and Social Services, but other ministries in the government co-operate in assisting local communities. At the same time we would ask the assistance of the provincial governments in underlining the recommendations we make for the federal government.

It was very important in one of the earlier recommendations that we made to the federal government that a transitional assistance benefit program or a similar program be put in place to assist the unemployed workers. If the transitional assistance benefit program was not considered appropriate, it was vital in our estimation that some similar program be established to assist the workers in that particular area.

Also, you will see from the other recommendations some specific recommendations made to the federal government which I appreciate are not within your particular jurisdiction, but would seem to me useful to call to your attention and which might be helpful to us if they were brought home to the other levels of government.

Mr. Chairman, I will conclude and turn the microphone over to Mr. Simko who will give you some actual case studies. We say that we have no panacea for you, I am afraid. The presentation you are hearing this afternoon may not be a typical presentation, but I think it is an effort and perhaps a model of what can be done on the local scene. Let me tell you that in our experience the kinds

of things we have done are not going to be sufficient in themselves in the face of very mass dislocations. It is only with some assistance from outside that the kinds of things we are doing can be brought to their logical conclusion with the appropriate financial and other resources which are only available on the scale necessary from provincial and federal governments.

With that, I will turn to Mr. Simko, my colleague, who will give you a couple of very concrete examples of the kinds of social problems are certainly brought about by unemployment and mass dislocation.

 $\underline{\text{Mr. Simko:}}$ Mr. Chairman, members of the committee, I am afraid I am not as fluent as my colleague, Mr. Ianni, in making presentations to committees, so I will assist myself by reading my presentation and I hope that way you will find it more coherent.

One of my responsibilities as labour co-ordinator at United Way is working with the Windsor and District Labour Council and local unions in developing and assisting them in their social and community service activities.

One such project with which I have been involved since the beginning is the unemployed help centre initiated by the social and community services committee of the labour council for the purpose of assisting all unemployed in the Windsor area experiencing problems related to their unemployed status. It was an effort on their part to assist the unemployed with their immediate problems concurrent with their activities for long-term solutions through some legislative action.

For the information of the committee, I do have some brochures which will outline in detail the activity of the centre and also contain some case studies and a little bit of the history. I won't go into those details.

I would like to point out, as stated, that the services are available to all unemployed. In fact, 75 per cent of those seeking our assistance are nonunion unemployed. It is a community service currently funded by the labour council, the local unions, local churches and the United Way of Windsor.

It is quite possible in your hearings up to now you have been inundated with a mass of statistics. These can become so overwhelming that the personal tragedies of real people who have lost their means of livelihood through plant closures or other factors can bae lost in the process. I have the opinion that through your constituency work many of you will be familiar with similar types of cases if you come from an urban area with high unemployment.

2:30 p.m.

I have available sample examples of these cases. I have taken the liberty of blocking out the names and addresses to protect the privacy of the people involved. It is done for the purpose of assuring you I am talking about real people. I would like to give the committee members a glimpse of these tragedies to

match statistics with real people who on a daily basis are coping with problems that are relatively speaking as great as any currently being experienced by, say, the Chrysler Corporation, but which are certainly not receiving the same attention or consideration. I would like to read briefly from some of these case histories which I have passed around.

In trying to generalize, we would find the men concerned are in most cases married with families. Their ages run generally in the 30s to 40s, which is probably their more productive working life. All of them, with the exception of one on whom I would like to make special comment, are people who have been specifically affected by plant closures as opposed to general layoff situations, although I am including the Ford foundry in this instance and the Chrysler engine plant.

The first case I would like to comment on is one of a married male, 30, with two children, who had two and a half years seniority at the Ford foundry. He was laid off in July 1979 and is currently on unemployment insurance. He came to the centre specifically for some assistance relative to his budget. He carries a first and second mortgage on his home of \$366 monthly and hopes in some way that high payment could be related to his current income. He asked the centre to intervene, which we attempted to do but were unsuccessful.

You will notice on the first page the budget is relatively modest, including a hydro allocation of \$17, which I can't believe. Aside from that, in terms of the bare minimum you would be able to say this person could make it, income relative to expenditures, with some modifications.

However, as happens quite often--and you do not have this information--he came in with a letter from the income tax office in August 1980 stating that he owed \$584. They wanted some action on his part or they would take legal action.

Generally, in instances like his, people can cope but something comes along, like a demand for a tax payment, and it is the straw that breaks the camel's back. I might mention to the committee it was an area where the mayor's committee attempted to do something, but I don't think it was accepted, as I remember.

Committee members will not have this next one because this is on the complete sheets, but in a number of these cases there is a note where the centre has contacted either a private party or an agency for the provision of some Christmas toys for the children.

The next case is that of a single-parent, mother-led family. This is a case of a plant closure again--Bendix. It shows a modest budget of \$445 with a current income of \$355 a month.

Again, it is perhaps a situation where a person could make it. She came into the centre with a letter from a legal firm in Toronto stating that she had an account of \$287.81 and unless some payment would be made a lien was threatened on the house--they would sell it from under her. Again this is an example of people perhaps being able to cope but then an incident like this happens

which throws any plans they have made out the window.

Another one very quickly: This is a male Chrysler employee, two children. I want to bring this to your attention because if you had the full sheet you would notice that here was an employee who was attempting in many ways, by trips out of town, out of Windsor, to obtain employment of some kind and was simply not successful.

The budget there would clearly indicate that he would be having some difficulty. I would just like to draw your attention to the bottom where the intake person had written, "A pleasant person to talk to. Very discouraged and upset about mortgage payments. Thinking of just abandoning the home." This is something that has happened in the city of Windsor on numerous occasions.

You will have an opportunity to get some idea of the full range--did everybody receive one by the way?--so I will not go through them all.

I would like to comment on another Ford foundry worker who had four years' seniority. His UIC benefits ran out in August and his only option now is to be on welfare which, based on the information he supplied to us, the welfare allocation that he would get would not cover his mortgage and taxes, never mind any other expenditures. I would like to draw your attention again to the remarks the help centre worker had written: "A very nice couple and their child. Seems to be very concerned about the future of his family. I think he would make a good worker. He came in neat, clean and polite." We do have professional staff there.

Just one more, very quickly, because this is an example--

The Vice-Chairman: Perhaps this is not the place to ask a question. When you are finding these people who have these mortgage and bank payments, are you finding that the banks are holding off foreclosing on them, saying, "We will give you six months or a year," or a freeze on payments or anything like this? What are the experiences in that area?

Mr. Simko: Perhaps Dean Ianni could comment on that, because we do have a system built into the mayor's committee to handle that problem.

Mr. Ianni: Mr. Chairman, the credit committee has met with a number of credit-granting institutions and they have agreed to revise their repayment policies.

In the first instance it seems to me that the local agencies were not equipped to do this without directions from head office and it took a little time until we got the co-operation of head office. I guess the major complaint was that, first of all, they would like these people to come forward, identify themselves, and give a complete description of what their current situation was. They would be in a position then to reassess the repayment policy in order to revise it or amend it in a way which would be more compatible with the ability to pay.

2:40 p.m.

It has been successful in some cases but in other cases--and perhaps the case studies will be useful to illustrate this--it has not been possible because of the figures involved to be of very much assistance. I think it has gone to a power of sale and people have lost their homes.

We initially had hoped we could establish a system similar to the one that had been used in Sudbury during the extensive strike there, whereby mortgage payments would be foregone or, in the alternative, the interest payment would be forgiven and payments would be re-established after the strike was over.

However, there was some concern on the part of some credit-granting institutions that there was not a similarity between the situation in Sudbury and the one in Windsor, since it was a strike and the health of the industry in Sudbury was substantially different than it was for Chrysler. Some institutions were a little worried that perhaps the equity was not there and that there might be an ultimate demise of the large corporation and that led to an implementation of a much-watered-down policy than the one that was followed in Sudbury. That is just a survey and there are some exceptions to that.

Mr. Martel: Mr. Chairman, might I just comment on that as I come from Sudbury?

It was somewhat tougher than that to get. The pickets that were going up in front of the various finance companies and banks helped to dissuade the interests from moving in and taking over homes. It was not done easily. After some intervention like that they got down to serious business and talked. I do not think anybody lost their home during the strike of over eight months.

Mr. Simko: One.

 $\underline{\text{Mr. Martel}}\colon$ One? But it was tough going and banks do not like to be picketed; neither do finance companies.

Mr. Ianni: I did not mean to indicate that it was an easy scene in Sudbury. It was a model which we would like to implement and we were not successful in doing so.

Mr. Martel: I am suggesting you make it a hell of a lot tougher. I am not sure you would want to run around with a picket sign, mind you, calling the bank every name in the book, but it helps.

Mr. B. Newman: The circumstances would have been different but the needs were the same, whether in Sudbury or the Windsor area.

Mr. Simko: Mr. Chairman, just to comment further, in the instance that I mentioned, it is the one firm that indicated to us they were not prepared to co-operate in any meaningful way whatsoever in this instance. It is one of the unfortunate ones.

Mr. Mackenzie: I would suggest, Mr. Chairman, the situation is that either we are going to get some reasonable recommendations out of the committee--and I think it is reasonable to accept some kind of a moratorium in a situation where you could lose your house because of a situation like this--or one of the few alternatives is that we are going to be faced with a confrontation. Where they are organized, they do not have any alternative but the action the Sudbury workers were willing to take in terms of protection.

Those payments are being made and nobody was in a position where they wanted to be permanently in default in that situation. But without the muscle to begin with they could have been. I hope we can get some action that is legislative rather than having to resort to that kind of confrontation which has some grave implications. It gets nasty.

Mr. G. Taylor: Do I draw from your statement, Mr. Ianni, that in the Sudbury situation, why they were more amenable to the solution of foregoing some of the provisions of the mortgage was that the strike was a short-term one and it would swing around? Eventually they would be back in because the company was economically sound, unlike the situation at Windsor.

You were saying they were not so co-operative because those lending institutions do not have the faith there will be a turnaround and that some of these jobs will be permanent and therefore they are not being part of bringing the community back to a healthy footing.

Is that what I can take from your few words? I was not sure.

Mr. Ianni: I think you can take that. I think it was their position that there was a distinction in the position between Falconbridge and Windsor. It was not all that clear whether or not there would be the level of activity which would resume after the turnaround period as there was before.

Chrysler in particular, I guess, was a case where a number of economists had different views as to whether or not that would ultimately be a viable industry and take on the same level of activity that it had before the difficulties arose.

Mr. G. Taylor: I notice on page eight, as a followup to this question, the second paragraph is imbued with a great deal of optimism--which you do need. But do the most recent events at Chrysler still give you the same amount of optimism you had when you put this report together?

Mr. Ianni: In direct response to your question, it seems that a number of the workers in Windsor when interviewed, having experienced a number of peaks and troughs in the automobile industry, felt that this was yet another experience of that. They had long-term confidence that things would turn around. People would always require cars, and they felt that at some point, while this was a little more severe, none the less things would get back to somewhat near normal.

Given the length and given the recent sales statistics and the ongoing problems with Chrysler--this is only speculation on my part--I would imagine that a number of those people who were very confident and were not prepared to move, lock, stock and barrel, to unknown territories or to areas where they may not have the experience or skills might be rethinking that now. But there was a feeling that the automobile industry is a sound and permanent industry and at some point it would resume its former level of activity. I am not sure that is the case now.

Mr. G. Taylor: Are this past week's events and vesterday's events too recent to change your optimistic opinion?

Mr. Ianni: I would like to know what goes on in the meeting tomorrow morning at nine o'clock with Herb Gray. If I had the full picture of that perhaps we could all--

Mr. Martel: Could I ask one other question?

Mr. Mackenzie: Your banker friends do not believe Larry Grossman.

Mr. Martel: The situations are slightly different. Yours is more long-term. But have you not been partially successful in getting the banks to accept as payment only the interest? Some of the people I speak to in credit unions now indicate to me that people are investing in homes where they do nothing but pay the interest. They will never own the home.

Surely the banking interests—I have never found them overly generous—would be prepared to accept that. When people have paid into a home for 10 or 12 years, they are not about to walk away from that as soon as they are back at work even if it is a year and a half or two years down the road. It is their only life investment. It seems to me the banks should become a hell of a lot more generous, insisting maybe on mortgage payments almost like a demand loan, or interest payments rather than principal.

Mr. Ianni: We wrote a number of letters on the letterhead of the mayor's committee and got very nice replies indicating that people would be prepared to look at their repayment policy. But as a result of our efforts I cannot give you this afternoon the articulation of a policy which has been uniformly adopted by the banks or the mortgage companies saying there is going to be a moratorium and people who are laid off because of the automobile industry problems will not have to pay their principal payments and only pay interest or there will be some moratorium. I cannot give you that statement, it has not been forthcoming.

Mr. Bounsall: I would like to get on with the presentation. There is just one comment here as it relates to George's question. When presenting the Windsor picture there are some positive points to be presented. The total work force at Ford, once they get their new engine plant in, will not be as much as before. A certain number who are unemployed now, have run out of UIC and the whole bit, will be back at work so many months down the road. Also the expansion of the GM plant--you can make a

conservative estimate of the number of new people to be employed there--will add to that figure.

In making the presentations to the banks and trust companies with these figures in mind, it is not all that pessimistic a situation, even including Chrysler in the picture and a possible total collapse. In my opinion, the banks and the trust companies holding the mortgages could have taken a bit more optimistic view already and throughout than what they have. For example, there is a transmission addition to the GM plant there that runs to 2,000 more workers. That was well known and that is taking place.

Mr. B. Newman: I wanted to make a statement here too, Mr. Chairman. The reason some of the laid-off employees of the various industries hesitate to leave the community is that they also have an equity and investment in the community. They have not only an investment in their homes, but they also have an investment in their jobs. Because pensions are not portable they hesitate to leave the province or go to other parts of Ontario, or even go out west.

If there was some way of making pensions portable Canadawide, the individual with eight or 10 years' seniority or even more than that at Chrysler probably would not hesitate to go to Alberta, British Columbia or any part of Canada where the employment picture is fairly satisfactory.

2:50 p.m.

As far as the two new plants that are going to be on stream are concerned, Ford and General Motors, I am afraid a lot of the statistics are a little out of date. They were assuming the markets would be there by the time they completed their plants, but if people are not going to buy cars and the cars are not moving, then you are going to find the production there is going to be substantially curtailed even though they may have a new building, new techniques and so forth. We may look upon Ford and GM as being a partial answer to the problem, but unless cars are selling, it is only going to be a very small part of an answer to the problem.

The Vice-Chairman: I am wondering gentlemen, and it is my fault, because we interrupted, whether we should continue with the presentation--or are there questions you feel should be asked right now?

Mr. Martel: We did move an amendment on portability, Mr. Chairman. I would remind the members that (inaudible) voted against it.

The Vice-Chairman: We will go ahead with the presentation.

Mr. Simko: Just to conclude the discussion on mortgages, if I could comment, the experience of the unemployed help centre is that there have been very few people who have come to us because they were actually facing foreclosure. The real problem is simply holding on to the home.

About three years ago we had a rather unusual situation in Windsor. There was a very dramatic increase in the price of homes and it was possibly at that time that a great many people went into home purchase. Then, within a short time, they were out of work and were simply not able to maintain the kind of mortgages they had arranged for during purchase of the homes when it looked as if there was going to be good times. That is the situation.

Right now, for many the solution is simply to get out of the home because the equity they have in it is not sufficient to cover a sale in a depressed market. That is really what is happening; there are very few actual instances of foreclosures. We have had co-operation by mortgage companies with one flagrant exception.

I would like to conclude with one more example to illustrate the dilemmas of young single people who have had some specific problems in these particular times. This is a young 26-year-old single male, a Chrysler employee who was laid off in June 1979. His unemployment insurance benefits ran out in August 1980. He attempted to maintain himself by doing odd jobs.

His reason for coming to the centre was that the odd jobs petered out and he was faced with no income. He had made application for some welfare assistance and was refused. Some of the history here indicates he had attempted to keep going by borrowing money from parents. It indicates here that he had sold a motorcycle, which was probably a principal possession, for \$600.

You do not have this type of information, but it is certainly common with a great many people who come to our centre. His action in going to the welfare office was a very last resort. It was clear to the intake worker that his pride was very hurt and there was some counselling necessary to convince him even to proceed with taking any further action to obtain welfare assistance. He was refused under a section indicating that he was not conducting a sufficient job search. I have the other documents here.

Mr. Mackenzie: Did they have him selling blood as well as his motorcycle?

Mr. Simko: We have other information here that indicates the odd jobs he did. He tells us the employer and the amount of money earned, and he indicated the kind of job search he had conducted, which at that time was not considered adequate. He listed about 15 or 20 firms he had contacted prior to the application. Through our intervention he was able to receive welfare, very reluctantly.

In closing, Mr. Chairman, I hope some of these, along with the material I supplied to you, will give you some glimpse of how people are struggling and attempting to cope with being unemployed.

Perhaps this is overly emotional, but after spending some time at the help centre in searching out the files which I thought would be most appropriate to your committee hearing, because these are specifically related to plant closures, that evening, by some

mere coincidence, I caught part of an episode of the current TV rage, Dallas or Dynasty or one of those programs. I am not really a fan because I still do not know who shot J.R.

In watching that program, the thought struck me that I was being subjected to the trials and tribulations of power people struggling to make their next \$10 million or people who were competitive for love of money. Perhaps I am being facetious, but I was certainly struck by the immorality of it all, after reading file after file. We have thousands of real people struggling to meet a \$60 heating bill or concerned that they will not be able to buy some small gifts for their children. This type of program, quite frankly, could almost induce a physical reaction in one.

In my opinion these brief case histories give you an idea of real people with hopes and dreams, with tragedies and despairs, and how they are coping with the problems of day-to-day living with a single simple objective. You will notice on the face sheets that many of them have come to the centre with the hope that we would be able to assist them in finding a job. That is a very simple objective, an opportunity to earn a living, and it seems to me a basic need in our society that should be ensured for all its citizens; otherwise we face the consequences.

As a final and very brief comment I have another file, that of a young boy, 18 years old, who has never had a job. I guess to a degree it is related to plant closures. All that is listed on the face sheet is that he is looking for a job, he would like anything. Then there is a comment on the bottom that he was a proud fellow who was in jail because of theft, but I think it was only a teenage situation. He said he had learned his lesson.

3 p.m.

We have no follow-up on this person and I wonder if he made it. I wonder if he was lucky and fortunate in obtaining employment, some opportunity to better himself, or if the problem had been solved by him once again by being incarcerated.

The Acting Chairman (Mr. Martel): Are there any more presentations?

Mr. Ianni: Mr. Chairman, as I indicated, Mr. Wagenberg will be making a separate presentation on his own behalf after we conclude. So perhaps it is better for us to answer questions you may have regarding this part of the presentation and then we will turn it over to Mr. Wagenberg.

 $\underline{\text{Mr. G. Taylor:}}$ I was able to get my one important question in that I thought we needed at this point in the supplementaries. Anybody can move up the list.

Mr. Bounsall: Relating to the provincial government part of the recommendations from the task force report, just let me comment briefly on point three, which deals with how the General Welfare Assistance Act is being applied in Windsor.

To the rest of the committee members, I sat on this

committee throughout. I was able to attend two thirds of their meetings. My staff attended in my absence for the other third, except for the last two meetings. So I am seeing friendly faces and we are all part of the discussion.

I want to share with the committee that this has been a real problem in Windsor. We have determined that the discretion is there. The local welfare office chooses not to use the discretion. The examples that Andy gave were all too common and still are, of people who meet all the requirement for welfare but do not have a job search. How the hell do you get a job in Windsor with the the numbers of unemployed that there are in Windsor? They just aren't there.

Our welfare administrator, although he may say that he has told his staff at the welfare office not to insist upon a job search, as late as two or three weeks ago we were still getting people coming into our offices telling us--and maybe the unemployment help centre can comment on whether it is still continuing over the next two or three weeks--that they were told they must have, as of three weeks ago, five job searches a day in order to be on welfare, whereas last February and last May, recommendations from our unemployment committee were recommending to our welfare administrator no more than five a week. So it has been a continuing problem, although the discretion is there, clearly determined by us for the welfare administrator to do that.

I have another comment on points one and two, but perhaps you would like to respond to that.

 $\underline{\text{Mr. Simko}}\colon I$ can confirm what you have said. It is still a problem, perhaps not to the same degree as it was six or seven months ago, but it still occurs.

 $\underline{\text{Mr. Cooke:}}$ Is the unemployment help centre still getting people coming in that have been asked for job search requirements?

Mr. Simko: Oh, yes, that has not changed.

Mr. Cooke: You know that was supposed to be eliminated at our last (inaudible).

Mr. Simko: It was never eliminated. As Ted has indicated, they dropped their requirements, after about six meetings with the city manager and the director of social services, from five a day to five a week. However, they reserve the right to be selective. In other words they have said, "For some people we will accept the five," but they still reserve the right to ask more of others. That is the problem.

 $\underline{\text{Mr. Cooke}}\colon$ Maybe when the welfare administrator goes to Europe, you should try a one-way plane ticket.

Mr. Bounsall: Just finishing up on that point: The committee has asked as well that those statements that we requested from time to time be made re job searches, that those instructions he would be giving to his field staff be put in writing. There has never been, to our knowledge, a memo written on

the subject by the director of welfare to those field staff. If there is, I, as a member of that committee, never received a copy of that memo. So we have a problem in that particular office.

Mr. B. Newman: There is another problem also as far as job searches are concerned, namely, individuals on workmen's compensation. Likewise, they are asked to produce lists of companies they have approached for jobs. If they do not have that list, they cut them off workmen's compensation. We have had that instance in our own office. I am wondering if you have had complaints to your office on that.

 $\underline{\text{Mr. Simko}}$: Yes. Perhaps this applies to people who have been declared fit for light duty and are expected to go out and find a job that entails light duty.

Mr. B. Newman: There isn't a job for the healthy individual, let alone for one who has some type of handicap.

Mr. Bounsall: On that comment, my experience of the last months since mid-summer on is that the compensation board, in terms of that kind of job search, are much more easy than what they had been before. They are engaged in finding jobs and those jobs for which there is an interview are the jobs that they will send those recipients out to. They are not really doing the same sort of hassle nor expecting them to find jobs on their own, which is a much more positive attitude.

If that sort of job search group was working within welfare, where you could actually set up an appointment with a person, as the Workmen's Compensation Board is now doing, there would be some rationale for cutting someone off if he did not keep the appointment or successive appointments. But the WCB seems to be okay at the moment in its attitude towards that, or at least it is a lesser problem than before.

Mr. Ianni: I wonder if I could respond in a very quick way.

The minutes of our meeting will show that a substantial number of hours in our committee were spent because of complaints we have received from the unemployed help centre in trying to get the exercise of humane and sensitive discretion in an area where the director has some discretion. When we have anywhere from 17,000 to 20,000 unemployed, it seems to me not only to be irrational but to be heartless to expect people to go out and knock on doors when the jobs are just not there.

I should say that we established an appeal procedure whereby the city administrator is called in when we just cannot resolve the problems with the person who has the responsibility. It is a source of frustration to us and we have established an appeal procedure which is a minor success, but it is a problem that is recurring. That is why I think that recommendation is there.

I know there has been some dispute as to the number of unemployed. The executive director informed me earlier this morning that we have another barometer. There has been a constant frustration on the part of people in Windsor because we are not quite sure that the percentage rate or the reporting on unemployment is accurate. If you do a telephone survey and it is a small survey in which you are looking to find if people are unemployed, sometimes people who are unemployed give up telephone service rather than food. So I am not sure that the system of gathering the information is an accurate one.

Second, we have had some comments with the federal authorities about grouping the Windsor area with Sarnia for purposes of unemployment and requalification for UIC, but there isn't any mobility between people in the automobile industry and those in the petrochemical industry. To give you an indication—and I think this is a fairly accurate one—in the inventory that United Way does for canvassing in the industries, last year there were 7,500 fewer people employed in the major industries in Windsor than there was the year before. This year there is an additional 10,000.

So we have 17,500 fewer people employed by the major industries in Windsor and that is not taking into account, of course, the base unemployment rate which we may have. This is an inventory which was done by the United Way. I hope that that information will be of some assistance to the committee in their deliberations.

Mr. B. Newman: Are those statistics on industry in Windsor itself? It does not take into consideration those who may have left the community, who may have gone out of the province in search of a job, or does it?

Mr. McCarthy: Some of those people may have left. Industry produces figures for us that we use in our campaign. We don't know where those 17,500 are. Some of them may have left the province.

Mr. B. Newman: They are just straight jobs, fewer jobs.

 $\underline{\text{Mr. McCarthy}} \colon \text{And}$ that is during the period of the campaign.

Mr. Bounsall: Continuing on, on points one and two, which are sort of related, I was quite concerned about the shortfall in the United Way funds as it affected communities. Starting last spring, I asked two questions in the Legislature, and this fall I asked three questions in the Legislature. As well I had chats with the Minister of Community and Social Services about these points, that is, funding to those agencies over and above what their normal ratio funding is in order for them to meet what was an increased need.

3:10 p.m.

I recall that at one point for credit counselling last spring some extra funds were swung in there. I might say to the members of the committee that at one point before that happened when all these people having financial problems phoned in for credit counselling, it was not a case of their being told, "We

will be able to deal with your case one month from now." It was a case of, "We can return your phone call one month from now to set up whatever appointment down the road we can give you for credit counselling until additional staff is added."

I have asked these questions and I get a feeling progressively as I have asked them that the Minister of Community and Social Services (Mr. Norton) is increasingly prepared to take a look at the shortfall funding for those agencies.

I have not made a thorough study of the agencies. I have talked to two or three over the Christmas period and said, "Now is the funding coming?" The ones I talked to were very busily out with applications all over the place to other funding sources hoping to make up some of the United Way shortfall from what had been their main sources. But in each case they were saying, "We are not holding our breath or putting our eggs in the basket of that increased funding to make up the United Way shortfall which has occurred."

What has happened from the agency end or from the committee end or, Gary, from your end, in terms of applications by those United Way agencies for increased funding from the province, is that to a certain degree at least the province is sounding sympathetic in the same way as it was on the credit counselling situation.

Mr. McCarthy: There are three or four agencies that are in the forefront as far as services to the unemployed are concerned that have put together applications that require cost-sharing by the municipality. Those applications are now in the process of being completed at the municipal level and will then be sent on to the province.

We met with John Anderson from the Ministry of Community and Social Services who indicated that he thought the province would look favourably on financing some of the services again that are in the forefront as far as the unemployed are concerned.

Mr. Bounsall: This problem has been known for a while. I was asking questions in the spring and all through the fall. You mentioned the municipal level. Is there a holdup at the municipal level in getting these applications out? What is the problem? Everyone knows we have a problem. Is there a holdup at the municipal level?

Mr. McCarthy: Yes.

Mr. Bounsall: Do you know why?

Mr. McCarthy: I am sorry, I really can't answer the question. I am not sure of the details of the holdup, but I do know that the applications for funding have been in the hands of the municipal administration, city social services, for a fairly extended period of time.

Mr. Bounsall: Again, in the hands of our Windsor social services, which has this heartless attitude to handing out funds.

They seem to have a rather paternalistic view perhaps of even the province handing out funds.

Mr. McCarthy: I don't know the reason.

Mr. Bounsall: No. I wasn't expecting you to answer that question. That was a comment on it.

Mr. McCarthy: I am not in a position to make that judgement either.

Mr. B. Newman: When the index of unemployment is abnormally high in a community, or the numbers of unemployed abnormally high, as they are in the Windsor situation, should there not maybe be added funding?

Rather than the cost of welfare being on a 20-30-50 basis, maybe only 10 should come from the municipality and that other 10 per cent picked up by the provincial and/or combined provincial-federal authorities to ease the burden on the municipality. The municipality just can't maintain the level it is asked to maintain because of the large numbers of unemployed. We hope the numbers go down tomorrow but we know, to be realistic, that is down the road a bit.

Mr. McCarthy: I think the municipality is faced with the same problem the United Way is. At the time when there is the highest demand for services, the ability of the municipality and also the ability of the voluntary sector is the most limited.

I recognize the problem and I think the agencies recognize the problem. I am sure the municipality does also but I am not sure what the solution is.

Alderman Wagenberg: I will be commenting on that.

The Acting Chairman: I am next on the list, and I am sure you wouldn't want me to lose my turn by occupying this chair.

I want to ask the obvious questions, however. I think the job is probably too huge, but have you been able to put together the cost to your municipality in the following ways:

The loss in wages; the transfer of utility costs from those who are out of business to the users of the utilities in your community; the loss of small business, in other words, how many have gone bankrupt or just down the pipe; loss of tax, industrial and municipal; cost of welfare; cost of UIC; the number of people who have lost their homes; the number of marriage breakups; the number of people hospitalized as a result of the devastation in that area; the loss in real estate value of homes; the number of children placed with children aid societies; the cost of relocation to the 7,000-I think somebody said 7,000 people had left the area but I might be wrong--and are you prepared to ask the government at both levels, federal and provincial, to do that cost analysis in addition to all the social costs?

I am convinced that it is only by putting the dollar value

to that tragedy that governments will be forced to move. They will no longer be able to sit idly by and wring their hands in despair. The costs would be so overwhelming if we ever put it together—and we should in Windsor—that we would have a rather marked change in attitude by all levels of government as to what we have to do in order to have the type of job security that is necessary.

Mr. Ianni: I couldn't agree with you more. We have not done that kind of cost analysis. At this moment, we do not have the resources. If asked, we would be delighted to try to put it together.

I think we would need some co-operation and additional resources in terms of both dollars and personnel. Obviously, that is what we are thinking about. When I supplemented the recommendations, I indicated that it would be the responsibility of the province to establish some sort of a model which would be an emergency response to a situation such as this.

It seems to me that a sort of preliminary to that model would be to try to develop a way in which these things could be costed. We don't have the figures. We could give you some estimates, but I don't think they would be accurate. I think you are right, that it would be important to do that kind of a study so that we would have some concrete information to give to all levels of government so they would know what the actual costs are of these types of dislocation. I agree with you as well; I think they would be stunning.

Mr. B. Newman: On a federal and/or provincial or combined basis on that point there are the Canada Works program, the youth employment programs and so forth or some of the advanced programs that could look into that kind of a study.

The Acting Chairman: I think it is absolutely vital that we get it because not only will it put the cost and put together the human tragedy of it all, but it will be so overwhelming that governments will have to respond to policies that are not just short run such as, despite how important it is, severance pay. They are also going to have to put policies in place which cry for a restructuring of our economic structures in this province and in this country.

Mr. Simko: Just to comment briefly on that, on page six in the brochure that I gave you, though it is not identified, some of the figures that are given there are from a US Senate committee study of seven years' duration. These are the figures that they came up with. They refer to a one per cent rise in unemployment sustained over a period of six years, and then they give very specific figures. You could put a cost factor to that.

3:20 p.m.

Mr. B. Newman: What municipality is that?

Mr. Simko: This is all US.

The Acting Chairman: It is US-wide.

Mr. Simko: It is a Senate subcommittee study.

Mr. Mackenzie: The only question I have specifically is one that is probably impossible to answer. I think we have been getting a story before us fairly effectively in the case sheets. We have had individual cases—and generalization, more, I suppose than individual cases, from the people from the various towns—Atikokan in northern Ontario is one example—where we have had rather massive layoffs. But I am wondering if you have any idea what might have happened to some of the people who came to your unemployed help centre whom you were able to assist, had the people of Windsor not had the foresight to do what you have done—set up the unemployed help centre and work to arrange to get the information out to the various agencies through your merits committee or what have you.

It seems to me that your initiative was a good one. It is unfortunate you were faced with that, but it is the kind of initiative, I think, that anybody expects in any concerned municipality. But what will happen in towns or municipalities that do not set up such a centre? What would have happened to those people who came to you--the young chap you were talking about, the female worker, the single parent with two or three children you were talking about, some of them in desperation when they came to you?

Is there any conception at all of what you have done to pull those people over a really tough crisis point? We have been trying to get a handle on the most important thing of all; what is really happening to ordinary people out of work.

Mr. Simko: Yes, in many instances we have what we would consider a complete or closed file on people. What I supplied you with was simply the face sheet and many of the originals have much greater detail on the back.

For example, in one of the cases there we have information that the person had obtained a job in a pulp mill in British Columbia, had received a mobility grant from Canada Manpower and the family was moving out on October 11, so we know that person has left the city. I simply gave you a face sheet but many of them are complete in terms of the solution to the problem.

Other than that, we have some hope of receiving the kind of information you are asking about. A university group working in co-operation with us has done over the summer period a major study, financed I believe by a Canada Manpower grant, I am not too sure. What they have done is taken a family and followed them through for a period of I believe six months. That should show to us where the problems came, how they came, how they resolved them and who they go to.

Mr. Mackenzie: You are dealing more with the success side of it, inasmuch as there may have been a crisis. I said when I started I am not sure if anybody could answer it. But I really wonder if this was a specific research situation where we have a controlled and noncontrolled group, could we even make a

projection of what would have happened to those people had this centre not been there at that time. It scares the hell out of me.

Mr. Ianni: It is an excellent question, Mr. Mackenzie, but I do not think I can answer it. It reflects on what was said earlier--why is there this feeling of optimism. I think Windsor--without, once again, making a self-serving statement--is a remarkable community. By having this assistance available it has changed the whole psyche of the community and perhaps really put a brighter light on things which would otherwise be very dim.

I think it has contributed somewhat to a sense of community and a feeling that there is help out there somewhere and maybe if we could get some interim help things would turn around because of their own force. Having gone through this before we know that the automobile industry is going to come back. I think that is reflected in a sense of optimism. Unfortunately, it would be very difficult to document what would have happened in those cases had this not been available. But I am sure things would not have been as good in Windsor as they are.

Mr. Mackenzie: I really think you have underlined the recognition that I think all of us have, or should have, that initiative and self-help is a major point in anything we do. It is why I get as frustrated as I do at times over the lack of what I see as directions or policies or initiatives that give us a help at this stage of the game.

I think the savings down the road--and this is really what I was getting at--can be tremendous. It is heartless to even think of a controlled and noncontrolled group to see what would have happened to these people. But I suspect that without the initiative that has been taken here we would have had an increase in hospitalization or breakdown or suicide or other situations. I guess it is something we will never measure.

Mr. Bounsall: The one comment I would make is that the help centre has become known. If you were not there, I think through the MPPs' constituency offices and phone calls to the aldermen, about half of those people who went to your centre might be contacting us. We could not have handled the load. But because it has been well known you are picking up another half that just would have sat there in their frustrated despair. So it has not only made it possible for us to keep functioning, it has meant, I would bet, half the cases would not have found their way to us.

Mr. Cooke: Since the normal chairman is here also'I want to indicate that I would like to congratulate Mr. Martel. Power is now in the hands of the people.

Mr. McCaffrey: Mr. Chairman, it is even worse than that. I apologize to our guests, but on at least two occasions since we have been sitting for nine weeks I have been otherwise detained and not in the chair at the appropriate time. But on those two occasions the cameras have come in. All the good people in Armourdale who think I am associated somehow with this committee will wonder where the hell I am.

Mr. Cooke: Most of the questions I was going to ask have already been answered, but I would like to ask if you could give us an estimate of what the change in the UIC rules--which I believe the merits committee has made a recommendation on to the federal government--has meant to the local welfare office. I am not sure whether Dean Ianni wants to answer that, or Alderman Wagenberg, or whoever has those statistics.

Alderman Wagenberg: Off the top of my head the figure I heard, and I think it was at the trilevel meeting, is that when the rules were changed in the negative direction the intake at the welfare office went up something like 15 per cent within the next reporting period, whatever that might have been-the two-week period or whatever. That was one of the figures that stuck in my mind. If I am not incorrect, the subsequent one was even higher. So at a minimum, 15 per cent.

Mr. Cooke: It was my understanding, too, from the statistics that were given to us at that trilevel meeting that the increase in welfare demand has been reflected in about a one-mill increase in the property tax rate, which represents about \$1 million, they told us.

Alderman Wagenberg: It is more than \$1 million. The city is responsible for 20 per cent of it. I think it is around \$1.8 million, of which the city's share is about \$360,000. Those again are fairly rough figures that I put together myself after our last report which went up to November. When you include December, which would be another bad month, you would be talking about probably over \$2 million, which would probably represent over a 30 per cent increase from last year. I think last year's was in the area of only \$4.8 million or \$5 million--by last year I mean 1979--and the city's own tax cost would be in the neighbourhood of, say, \$400,000. This would be close to a mill--more than half a mill.

3:30 p.m.

Mr. Cooke: I know this committee has discussed it before, when Oshawa was in front of us, that there should be this type of study to estimate the cost to a community. Perhaps at the next meeting of the mayor's committee if you passed a motion requesting funding from the provincial government. Certainly, I assume it will be one of the recommendations of this committee that an in-depth study be carried out.

I am sure you have the resources to outline the terms of reference of such a study. If you made the submission along with the recommendation of the select committee, perhaps the funding would be forthcoming from the provincial government to carry out such a study.

Finally, if someone could just indicate to me how the unemployed help centre is funded at this point. Not too long ago when I met with them they were having to spend a fair amount of time arranging bingos and so forth in order to fund the unemployed help centre. I thought that was wasted time for the staff. There was a large case demand and instead they were having to spend a

lot of time arranging bingos in order to raise funds. Could that be outlined for the committee?

Mr. Simko: Not in the absolute. Currently we have assured funding from the labour council, from the United Way, and we are still counting on some revenue from the bingos we conduct for the centre. We will be making a presentation to the provincial government for a special grant.

 $\underline{\text{Mr. Cooke}}\colon$ Have there been any requests to the senior levels of government for funding up to this point?

Mr. Simko: No, not up to this point.

Mr. McCarthy: Not direct funding, but we have received assistance in kind from the federal government through--.

Mr. Cooke: Canada Works?

Mr. McCarthy: Yes. In fact, there is an application pending that will provide two additional staff to the unemployed help centre.

Mr. Cooke: Perhaps Mr. McCarthy could outline for the committee--and I know there have been statistics thrown around in Windsor--some of the specific social agencies and what kinds of percentage increases some of the agencies have experienced. I am aware of them, but some of the other committee members from outside of Windsor would not be. It might be useful if they were brought up to date on that.

Mr. McCarthy: The number of contacts at the unemployed help centre itself are up 400 per cent over two years ago. I am not sure what it is at now. The family service bureau case load is up somewhere around 40 per cent. Credit counselling is up about the same rate.

These are agencies that are in the forefront as far as services to the unemployed are concerned. We do not have up-to-date statistics, but we are in the process of developing them. We do not have any statistics on admissions to psychiatric wards in hospitals in Windsor. We do know there has been an increase.

 $\frac{\text{Mr. Cooke}}{25~\text{per cent}}$ Mental health cases in Essex-Windsor were up about $\frac{25~\text{per cent}}{100~\text{mes}}$ in their contacts.

I have a couple of questions for Alderman Wagenberg, but he may address them in his comments. One of the things I would like him to address is the fact that I think city council just approved its 1981 capital works? No?

 $\Lambda Lderman\ Wagenberg:$ We just got it and we will look at it.

Mr. Cooke: I know there is a significant decrease in the amount of money that will be spent in that area compared with previous years at a time when the unemployment rate in the

building trades is extremely high because of the spinoff effects of the downturn in the economy.

It seems to me a municipality cannot be expected to borrow huge amounts of money for capital works when they are in economic difficulties. At the same time, the capital works projects that are needed by a municipality are not just make-work projects, they are projects the city needs and work that the city needs to have done. If the province would kick in more money along with the federal government, we would be creating jobs for the building trades.

One of the things I really fear for our city is that we have experienced a decrease in population. It is not easy to suggest that people should move out west or move to some of the other cities in Ontario. When the automobile industry does turn around and our economy picks up in Windsor, we are going to need the skilled tradesmen and the nonskilled workers in order to fill the jobs if we are to attract new industry to our area.

It is very important that we have these kinds of financial services to individuals, whether it be transitional assistance benefits or some other form of income, so that we do not lose our population and can remain a viable community in the future. The capital works is one particular aspect that upsets me when there are significant cutbacks.

Alderman Wagenberg: I could, in a preliminary fashion, make some comment on that. Just as the social agencies, which are dependent on public subscription, face a most severe test and demands on revenue when the revenue goes down, in the same way the city finds that its growth in revenue is truncated at the same time the demands on it go up.

If I can relate it directly to the business of the committee, any plant that closes, in so far as it has a physical facility, will continue to pay the property taxes on it so that they do not lose the property under municipal laws after three years of nonpayment. What is lost is business tax and business taxes are substantial.

I could not give you a dollar figure on the loss of business tax attendant upon the Bendix closing, but it is a substantial amount of money. The closure of the Chrysler engine plant, in so far as it is not operating in any way that would generate a business tax means a substantial loss of money since Chrysler is the largest taxpayer in the city.

We are losers there and we have to make up for it some other way. We are faced with a situation where borrowing, with the interest rates as they are, is a very difficult prospect to engage in. At the same time if we do not, we cut back on the numbers of people and possibly even have to lay off workers who work for the city itself, let alone not being able to create jobs for others. It is a vicious kind of catch-22 circle that we have very limited means to get out of.

Some provincial legislation magnifies our problem. For

instance, the interest rate as it is now is much higher than the interest rate we are allowed to charge delinquent taxpayers. We think of delinquent taxpayers as poor people who cannot pay their taxes, but in the present situation they could be very smart financial operators who see a great gain to be made by not paying their municipal taxes until the very last minute.

We have a request before the Association of Municipalities of Ontario, and it will come before provincial authorities before long, that we be allowed to raise the rates we charge on delinquent taxes. I hope that will find a sympathetic ear.

Those are the kinds of problems we face. The revenue is simply not going to grow. Here we have all kinds of people, as indicated in the specimen cases presented to you by Andy, who are trying to hang on to their houses and in so far as they are trying to do so, they have to pay taxes. In so far as the city is trying to continue to provide the services and meet the wage demands of people who have to live within the context of rising inflation as well, we are going to have to raise taxes.

There are very few good answers for us. There is one, and I am sure it is the one you all hear from municipal politicians, "Give us more." In Windsor's case, we could handle our problems if we got our just and equitable resource equalization grants. That would probably do it for us. The taxpayer in the city of Windsor is probably paying 10 per cent more in taxes than he or she would have to pay if we got the resource equalization grants we are entitled to.

You asked for a dollar figure before and how monumental it is. By this time it amounts to something in the nature of \$60 million in terms of municipal and education resource grants. You may knit your eyebrows, but that is a relatively accurate figure. It is in that ball park--\$60 million of revenue that should have accrued to the city of Windsor. This is not money that it is not known we are deserving of. It is known, but the province simply says, "In an age of fiscal restraint, we cannot give it to you even though our own formula indicates this is what you deserve" and it is something in the nature of \$8 million a year in municipal grants only, not education. Last year we got something like \$3.6 million or \$4 million out of that, approximately half of what we were entitled to.

3:40 p.m.

I am using the term "self-serving" that Mr. Ianni was using before; I have got on to a specifically Windsor problem. But to bring it around again to your business, certainly the province can engage in punitive financial activity towards a community which has as bad a plant closing situation as any large community in the province.

I would be willing to admit certainly that a small community that was dependent on one industry, and that one industry closes up, obviously that is a major problem; but in terms of larger communities, we have had a large number of plant closings over a protracted period of time and have had to suffer the consequences.

I don't want to go on at too much length, but I would like to return to my own comments, to some more comments along this line.

Mr. Chairman: If I may just ask two fast questions, I have been trying to catch up, and if I ask something that has come up earlier, please just tell me. There is no representative from the auto industry, management at least, on your committee. Did you request of them that there be such a rep and did they refuse, or is there some other reason?

Mr. Ianni: No. We have a number of observers who come from time to time, and all of our subcommittees have added to them people from the community. We did not have, specifically, anyone in the steering committee from the automobile industry, although we have contacts through our United Way with people in the automobile industry. The last campaign chairman was the plant manager of General Motors.

Mr. Chairman: It just strikes me as someone looking at the list for the first time that it would be reasonable to think that there might be a management rep from that industry on the committee.

Mr. Ianni: Those people are pretty hard pressed at the time, but I agree with you.

Mr. McCarthy: We have plant representation from the chamber of commerce, which indirectly represents that sector. Secondly, the automobile industry has been very co-operative in terms of working with the ministry.

Mr. Chairman: I respect both the earlier points. I guess they are quite preoccupied, too.

My last question in this area, and I guess the events change by the day, has to do with the current situation in terms of Chrysler. My understanding is that the US situation clearly shows that the US banks have, for a period at least, agreed to forgo interest on the loans. Is that the case here in Canada?

Mr. Ianni: I couldn't answer that question, Mr. Chairman. I don't know if there is anyone in the room who can.

Mr. Chairman: I wondered if the Canadian banks in their relationship with Chrysler Canada had made a similar offer. This is the case in the States where the US banks for a time at least have agreed to forgo interest on the outstanding loan.

Mr. B. Newman: Did they do that when you had a strike on in Sudbury? Did the banks forgo their interest charges?

Mr. Martel: I don't think so. That was one of the problems.

Mr. Ianni: That may be divulged tomorrow in the meeting with Herb Gray.

Mr. Martel: You have asked the question, Mr. Chairman. I

didn't see any representation on the mayor's committee from the auto industry, and I wanted to raise that.

Mr. Chairman: You and I have got to watch it. We have been going the same way on the bank questions lately, too.

Mr. Martel: You are getting too radical, Bruce.

Mr. Ramsay: Mr. Chairman, my questions have been answered. I would perhaps inject a parochial note if I could.

Mr. Ianni, the dean of law at the University of Windsor, is a Sault Ste. Marie native, and we are very proud of him in Sault Ste. Marie. His sister is an outstanding vocalist; she sings with the Toronto Opera Company and is a renowned member of a religious order. His brother was a long-time and highly respected alderman in Sault Ste. Marie who ran for the Liberal Party in Sault Ste. Marie for the Ontario Legislature.

I just wanted to make those points to illustrate a typical, talented Sault Ste. Marie family.

Mr. Ianni: Perhaps I can say that it might have been more enjoyable for everyone here if I had had my sister come and sing the presentation.

I want to thank the committee for their patience in listening. I am not sure if there are any other questions.

Mr. Chairman: Mr. Cureatz has a comment.

Mr. Cureatz: Not a comment, an inquiry. I don't know if you have covered it, if you have, just say so.

In terms of the city of Oshawa, I made inquiries of Mayor Alan Pilkey and Alderman John McLaughlin when they were here about the possible recommendation of the committee that there should be what would be called a justification committee or council to review whether the shutdowns are justifiable or not.

I asked the mayor of Oshawa and the alderman their thoughts on municipal input and they responded accordingly. What are some of the thoughts of representatives from your end about a recommendation for such a committee or council to be set up by the province? Should there or should there not be some kind of floating municipal input from area to area so that the grass roots feelings could be obtained on that subject?

 $\underline{\text{Mr. Ianni}}$: I think I would leave expansion of that question to Ron Wagenberg, who is an alderman, but I would agree with you in principle. I think it is a good idea to get the kind of feeling from the grass roots to determine the justification of the closing of the plants.

Alderman Wagenberg: I think the municipality has some very important input to make in all kinds of aspects of what has gone into the development of this plant. Certain kinds of capital works decisions and that kind of thing take place over an

historical period. Municipalities can't make grants directly to some industries, but they lean over backwards to make sure the roads in that area are good, all the facilities, the basic services, are available for that industry to thrive.

That might well be the kind of information that would condition other people's thinking on whether or not the industry itself is acting fairly in pulling up stakes and leaving our community. That is just one aspect of it. Of course the first effects, in so far as they are felt by any level of government, are obviously felt by the municipal community in which the plant closing takes place.

Mr. Chairman: Mr. Newman, I just want to remind everybody on the committee--you probably knew before I did--that Alderman Wagenberg has a separate report or brief to make.

Mr. B. Newman: I simply wanted to explain Mr. Mancini's absence. He happens to have a meeting with the Minister of Agriculture and Food (Mr. Henderson) and that is the only reason he couldn't be here. He has to save that greenhouse industry in the southwest part of Essex county or there will be more problems in Essex.

Mr. Chairman: Sir, if you would care to begin.

Alderman Wagenberg: Thank you very much for giving me the opportunity to be here today. I aplogize if my presentation is rather brief--it is written on the back of an envelope--but it is only about 24 hours since I knew I was going to be here. Let me indicate the basis for my being here.

Very recently, Mr. Moore, the development commissioner for the Windsor and Essex County Development Commission, made a presentation before you, and that presentation was one which generally bore in the direction of cautioning more than long consideration before undertaking anything which could be considered a disincentive to investment in Ontario. That presentation, a shorter one to that effect, had been before city council in the context of the Windsor and District Labour Council's request and an earlier request from the city of Oshawa for us to consider and endorse resolutions on the question of plant closing, asking for more expansive legislation of the type that perhaps is being considered here by your committee, sir.

My purpose here, among others, is to indicate to you that the council of the city of Windsor undertook to endorse those resolutions and reject the views that Mr. Moore had espoused to us and later to you.

The Windsor and Essex County Development Commission is what you might call a semi-public body. It is a private organization funded almost entirely by public funds, mostly in the city of Windsor and, to a lesser extent, the county of Essex. It cannot be thought to speak officially in any capacity for the city of Windsor and before committees like this. It speaks for the concern to develop industry and to attract new industry to the community. So Mr. Moore was acting within that context.

3:50 p.m.

I am here to indicate what the council of the city of Windsor did by resolution before the last election. I can assure you that the council that exists now will be even stronger in the direction of requesting that there be an extension of the requirements necessary to be undertaken before a plant can be closed, both in terms of justification and in terms of supporting the employees who are hurt and mitigating the effects of those plant closures on them.

Having put some distance between Mr. Moore's position and the position that would be more widely held by city council and the community at large in Windsor, I might indicate why.

The effect of plant closings, as I indicated before in answer to Mr. Cooke's questions, is probably as large on Windsor as any other major community in the province. That is because we are going through a revolution in the automobile industry. That revolution will certainly not lead to an end of the automobile industry, but will create a very different automobile industry.

In the creation of this new automobile industry, there is going to be an lot of dislocation and a lot of moving of plants hither, thither and yon. We have to be in a position, one would hope, to be able to mitigate the effects of all that and to assure that the movement, closure, transfer or whatever of these plants, when it is not simply a matter of the plant going under for lack of market or ability to survive, is not simply manoeuvering to create a greater profitability, as many might suspect in some cases.

There have been a large number of plant closures in Windsor over a long period of time. Mr. Simko indicated to me that the records of UAW Local 195, which represents many, if not most, of the feeder plants in the automotive industry in the Windsor and Essex county area, indicate that there have been something like 60 plant closures in the post-war era in that sector in Windsor. There are about 60 plants that they represent now.

We have had almost a complete transfusion. Every one of those plant closures has indicated a great dislocation in people's lives. This is something that affects Windsor to a very large degree.

I will leave that for a moment and make one other point with regard to Mr. Moore's submission. As a development commissioner, he is paid to paint a rosy picture of our community and to do whatever he can to encourage people to come to our community, build their plants here and employ people here. The better job he does, the less problem we have with unemployment, obviously. However, in the context of this committee's work and in the context of the present circumstances in Windsor, we are seeking extraordinary aid to get us through what we hope will be a short-term problem but which I think we have to admit is more a medium-term problem.

It is structural because of the nature of the automobile

industry and its changes. It is not just a cyclical downturn because of the sales of automobiles going down. We cannot minimize the level of unemployment in the city. As I have indicated before, the level of unemployment is certainly not being overestimated at all when it is put in the 20,000 to 22,000 and perhaps as high as 25,000 range, when you include people who have had to leave the city to seek employment elsewhere.

In that regard, I might just mention that the 1980 assessment figures indicated the population of Windsor was something in the nature of 2,000 fewer than in the 1979 assessment. So the depopulation is not as serious as some have made out. None the less, there are people leaving the community to seek work.

The level of unemployment is extremely serious. Given that, I would like to make some general comments about the need for a very broad-gauged approach to the question of plant closures. As far as the community involved is concerned and the one that has to provide services for that community, it cannot just be a matter of asking the plant to justify its case, and if it justifies its case and closes or it it does not justify its case and closes anyway, asking it to do something in terms of pension portability and other factors for the employees involved. The community is still stuck with a large number of unemployed people.

There is nothing more depressing than a huge factory with nothing going on in it. It seems to breed a cancer in a community that spreads out throughout the whole business community.

It is not enough to deal with it just in the context of this committee's work. It seems to me the province should have a broad approach to it. Mr. Newman mentioned that perhaps there should be a triggering point in the unemployment level of a city or the number of welfare cases which, without fail, the unemployment level leads to, so that when you get to a certain level the 20-80 per cent split is no longer in effect. It seems to me that makes perfect sense, because the more welfare it is necessary for a community to pay, the less able the community is to pay it. It is that vicious circle I spoke of before.

As far as I know, the Ministry of Transportation and Communications does not work out their road subsidy and other public works endeavours in any community with an eye towards what the unemployment-economic situation is in the community. They do so on the basis of standards that are worked out within that ministry and nothing else. I can be corrected if I am wrong, but I do not think I am.

That is not good enough any more. If we are going to develop a holistic approach, a variety of ministries in Toronto are going to have to look at the total situation within a community. Obviously the Ministry of Industry and Tourism must cast an eye towards doing something very specific in a particular community that is suffering from plant closures and high unemployment. There are programs, for instance, to encourage development of industrial parks in northern Ontario and eastern Ontario. I believe there are special subsidies in both those areas.

That does not obtain for southern Ontario and specifically for Windsor, even though at this particular time we have the highest unemployment rate of any major city in the country let alone the province. I think there should be the flexibility to allow review programs such as that so that they can apply wherever they are necessary in the province--eastern, northern, central or southern Ontario.

Certainly the Ministry of Intergovernmental Affairs has to look at its grant structure to see whether communities suffering from high rates of unemployment are in a position to develop and deliver the services that they are mandated to deliver. What I am saying is that where plant closures raise the degree of unemployment in a community to unheard of levels, the Ontario government, ministry by ministry, cannot simply go on with business as usual. There must be some flexibility in the legislation to allow particularistic approaches.

I can mention two examples where the province itself has engaged in plant closures in Ontario. A couple of years ago in a city that severely needs white collar jobs to balance the makeup of our work force, without what many in Windsor considered proper justification--and we have not had a review after the fact; I asked for that at the trilevel meeting, if you remember, Dave--of the benefits which accrued by moving something like 50 white-collar OHIP jobs out of Windsor to London.

The J. Clark Keith generating station which Ontario Hydro refitted at a cost of \$35 million and which, if operational, would employ something like 100,000 people--I mean 100 people. Every time you think of Hydro, you think of at least 100 million.

4 p.m.

Mr. Chairman: It has gone down.

Alderman Wagenberg: In any case, 100 people. One would think that the left hand should know what the right hand is doing, and certainly the provincial government should be the last agency in this province to be engaging in any kind of plant shutdowns in a place like Windsor.

I have gone on a little longer than I had planned to. I would be happy to answer questions.

Mr. Chairman: That was terrific. I once wrote one on the back of an envelope but it didn't turn out that well.

Mr. Mackenzie: I didn't get the first part of your presentation, unfortunately, because I had to go out for a phone call, but I was interested in your verification of the figures, because we have had a fair argument over the statistical information in terms of the Windsor unemployment problem.

My colleagues on a number of occasions, and I think Mr. Newman, as well, in the House, have the used the figure of 20,000, 22,000, 23,000 even, people who may be unemployed in the city. Some people have claimed it could be higher if you get all the

hidden people in but I am not making that case.

We have had an argument consistently from one of the ministers, Mr. Grossman, that that is an exaggeration; fairly recently, before one of the committees here, he was in the 13,000 range, the StatsCan nine or 9.5 per cent figure. I just wanted to have from Windsor people an assessment of what the actual unemployment is in the city.

Alderman Wagenberg: There is absolutely no doubt that the higher figures are accurate, not based on a nose count, but the figures that are gathered by the methods of Statistics Canada for the official unemployment count simply don't measure it accurately enough.

We know, for instance, that we had a work force of approximately 14,000 at Chrysler a couple of years ago and now 6,700 people are working at Chrysler. There is 7,300 people right there. We didn't have zero unemployment two years ago, by the way; we had unemployment at the level of the provincial average at least, even at that time.

Ford's new facilities will not take up the number of people that have been laid off by Ford in the last year or two years. Ford and Chrysler together represent 10,000 unemployed people right there. I don't know how anybody can claim that there are only 3,000 more unemployed people in the city. Bendix had employed 600 people; by the time they closed they employed 300 people. That is 600 people in total.

Mr. Mackenzie: I just wanted, apart from my colleagues of both the opposition parties who might tend to be a little bit biased with their own views, to have it also come from the horse's mouth so to speak. He can't be called to be 100 per cent wrong, maybe only 80 per cent wrong in his figures.

Alderman Wagenberg: I might mention that in the context of the number of people moving out of the city, our assessment shows there were 2,000 fewer than last year, and that puts us back in the same range that we were maybe three or so years ago. The county has grown somewhat, so we are not being depopulated. Perverse as we are in Windsor, we love the place and we hang around, even those of us who are unemployed, hoping for better times.

As I pointed out before, we have had many cyclical downturns, some rather serious, with a major plant closing in the 1950s and Ford moving out their major facilities. A lot of people have lived through that. I don't know whether it is fatalistic, that people consider it their lot in life in Windsor, but it is sort of integrated into people's thinking. Hopping on the first train and going somewhere is not people's idea of the way to cope with the situation.

 $\frac{Mr.\ Mackenzie:}{in\ Windsor}$ It takes a little thinking back, but I lived in Windsor through that Ford situation and I remember it fairly well. Mr. Martel: Mr. Wagenberg, if you will forgive a political observation, you are highly critical of the provincial involvement and the lack of perception of what they should be doing, and I love that; I love to keep the Tories in hand. I can't remember an area in your remarks where you were even critical at all of what the federal authorities were doing or not doing, and they more than anyone else are responsible for the economic structure that is so weak in Canada.

We changed horses a number of years ago from all our eggs in one basket, that being the British basket, to the American basket. That was implemented primarily by successive Liberal administrations in Ottawa, who have done nothing to change the structural deficiencies in our economic structure.

Don't you think there is a responsibility, when a Bendix or an Essex moves out, for the federal authorities to lay on a little crunch? Forgive my observation, but I found it strange, to say the least.

Alderman Wagenberg: I was speaking to a provincial body, I do not find it difficult at all to criticize very severely.

 $\frac{Mr.\ Martel:}{l}$ I just made the observation, your reason for not doing it.

 $\frac{\text{Alderman Wagenberg: Do you want 10 minutes of criticism?}}{\text{I can give it to you.}}$

The economic strategy of successive governments has been sorely lacking in a variety of areas. I would not try to justify it. I think, however, it is probably a heck of a lot better than whatever realistic alternative there has been, if you will allow me to be political. If you would prefer to substitute the present federal government for one that does not even like Petrocan, then-

Mr. Martel: Hardly.

Alderman Wagenberg: Or course not. As I mentioned, I am being political. The only realistic alternative is much worse.

Mr. Martel: That is a matter of opinion.

Alderman Wagenberg: You have stated yours and invited mine so I am giving it to you. In any case, no, I am not here to justify what the federal government has done. What I am here to do is to indicate the kinds of policies I would be hopeful this committee would recommend to mitigate the problems faced by urban communities which have to deal with plant closures.

If I may get it off the political plane, whatever political party may win the next election, I hope they will look at the need to have broadly-based policies towards communities in trouble, not to have one department, one ministry, trying to deal with the problem and dealing with it in a sympathetic way, and half a dozen other ministries which have the capacity to help going on with business as usual as if this was just a community just like another community with no problems. That is my point.

Mr. Martel: I was not trying to be too tough on you. It just struck me passing strange. I accept your answer that it was because you were before a provincial body.

Might I indicate to you that three weeks ago last Thursday--you mentioned portability of pensions--we moved an amendment to the Pension Benefits Act in Ontario to allow that portability. There is only one way an amendment can be defeated in this House with a minority situation, and that is if two parties get together to vote the amendment down and that in fact occurred, So we do not have portability for that very reason.

Alderman Wagenberg: I am not a member of any political party.

Mr. B. Newman: You agreed to all of that.

Mr. Martel: No, we moved the amendment, Bernie. You voted against us.

Mr. B. Newman: You voted with the government, remember, so you agreed with them.

Mr. Martel: I think one was Conservative and one was Liberal and you voted down portability of pensions which would have resolved some of the problems for the Windsor workers in the Windsor area. I just remind you of that, Bernie.

 $\underline{\text{Mr. B. Newman:}}$ I just remind you that you supported that policy because you voted with the government. You supported their policy.

Mr. Martel: I did not vote with the government. You had an opportunity to have it, Bernie, and you cancelled it. You can try all you want, the bottom line is you voted against the portability of pensions. So don't come here saying you want it on one hand, having voted against it four weeks ago.

The other thing is, I understand the policy on industrial parks, having worked for getting some funding for a number of them in my area. But unless we change some of the policies at both levels of government, you can have industrial parks all over hell's half acre, and if there is nothing that is going to bring industry here, like utilizing the resources to our advantage to force industry to locate here if they want to use our resources, then nothing is going to change. Nothing is going to change if the tariff reduction which is occurring is going to allow a multinational branch plant to go back to the States and supply Canada from the United States.

I understand what you are saying about them. We think if we have got the park there, that some should not locate in it.

But in our present situation with the tariff wall disappearing-well, not disappearing; it has been virtually nonexistent in many areas--and a further easing of trade barriers, I do not think industrial parks are going to help us. It will not be solved until we have policies that force the type of

Canadian-owned industry we need or make some use of our resources to entice people into this country to use those resources.

4:10 p.m.

Alderman Wagenberg: I don't want to get into a debate with you whether we need to change or refine the present system, but I will say this: At its very simplest, one of the ways in which you are able to attract industry is to have adequate serviced land.

Mr. Mantel: Yes, sure.

Alderman Wagenberg: Another way--and this is the perversity in all of this--one of the advantages of Windsor--

Mr. Martel: You're close to the American border.

Alderman Wagenberg: Close to the American border, but in a perverse way, one of our advantages is that we have such a large available labour force of skilled people. In other words, the number of unemployed we have who have the skills, who do not need training, who could go into metal-working industries of one kind or another, is there. That, in a very perverse way, is an advantage.

Windsor has had a recommendation for a severely-reduced capital works budget. But the one area where we have been advised by our administration to continue is for the very major sewage and development works to service the industrial parklands we have bought recently. Even in bad times, we have continued to buy land for industrial parks. It has been, I think, a far-sighted policy-and we are putting people into them.

But it is one thing to get a plant and put 50 or 60 people into it; that does not substitute for the Ford foundry which closes and puts 1,200 people out of work. Even if they go back, it is going to be with a labour force of 500 less; we have to have 10 industries with 50 people.

So we are putting our money where our mouth is in terms of capital works. We are putting that money in there.

If we had some subsidies for that kind of thing--and I understand there is a major program of \$750 million, out of which some subsidies may be available in the future for that kind of thing--then some of that money could be transferred into other kinds of public works which would put people to work. The level of unemployment in the construction industry in Windsor is horrendous.

Mr. Martel: I don't want to leave the impression that I don't think industrial parks aren't a necessity. I am just saying that the problems we are in today are a result of the economic structures we have. Unless we are prepared to change some of those economic structures, even with industrial parks our chances of filling them are remote.

Alderman Wagenberg: As long as people get their kneecaps

shot off in various countries in Europe, there will be at least some people over there who will think the stability of Canada offers some kind of inducement. I say that in a jocular way, but it is a serious reason for people from Europe prospecting for plant locations in Windsor and Ontario generally. As chaotic as we think Canada is, it is a haven of stability in most of the world.

Mr. Martel: It is far too conservative.

Alderman Wagenberg: You like shooting kneecaps off?

Mr. Martel: Not quite that drastic, but--

Mr. Cooke: The Premier (Mr. Davis) won't come down to Windsor when we are having an election, but he comes down to open industrial parks.

 $\underline{\text{Mr. Chairman}}\colon$ The Premier doesn't ignore any part of the province.

I don't have any questions. Other members of the committee?

Mr. Cureatz: I was interested in your comments in terms of the Windsor area where you are having high unemployment, as you have indicated. The provincial government should be centring in on their schedules to pinpoint in the area of, say, possibly highway improvement or social services or government services and building new court houses. They could be saying: "We do have a hard-struck area. Let's move our resources from an area that was committed down to that area."

I suppose, following Mr. Martel's inquiry, you would do the same thing federally?

Alderman Wagenberg: Without a doubt. I think we are hopeful that the present circumstances in Windsor--and the people from elsewhere in the province obviously have different feelings about it--will be taken into account when the final decision on the de Havilland plant is taken.

Mr. Cureatz: The difficulty I have with that is I think in terms of, for instance, my own riding where we have Highway 401 and 115, 35 being expanded, made safer on a regular basis, and people are killed on my highway stretch. We have been working a long time to get into a position of completion, and we are not there yet. We have another two or three years.

If a provincial member came up to me and said: "I am sorry, your plans are going to have to be delayed. We are going to have to think in terms of people dying on that stretch of highway. We are going to have to divert some or all of those funds down to Windsor," it is tough for me to handle.

These would be instances of a planned scheme of the ministry in terms of budgetary commitments one or two or three years in advance and then suddenly have that planned scheme disrupted by saying, "Wait a minute, we are going to have to stop that because we have got to up to Sudbury, we have to go to Windsor, we have to

go to Toronto." That is why I have problems with that.

Alderman Wagenberg: Without a doubt, of course. Everybody is going to view their problems as being serious and want those problems dealt with.

I can assure you we have the same kind of problems on a ward-to-ward basis within an urban community as you have from a constituency-to-constituency basis at the provincial level. But somebody has to set priorities as to what constitutes the most serious problems of the community. Certainly safety is one of them; one can't deny that. But it strikes me that in the Ontario community today unemployment, and long-term unemployment at that, represents the most severe challenge to people who govern at all levels. I say that even in the face of the tremendous inflation problems we have. Unemployment is really the most severe problem, mainly because we can do something about unemployment and we can't about inflation.

Mr. Chairman: On that point a witness this morning, Professor Britton, said in passing, "I recognize this committee is of a very short-term nature," and since it wasn't relevant to what he was here to teach us nobody responded. But I am very much of the opinion--and I suspect other members of the committee are, too--that there is an urgency about what we are doing and closures are one example of it.

I am really very much of the opinion that committees at all levels of government, concerned with the kinds of things we are concerned about here, have an ongoing task when those cyclical factors of play in the economy turn--because they will. The structural problems by and large are not restricted to this jurisdiction. They are Canadian--indeed, they are North American in nature--and I think there is some evidence to show that other committees in various US states are talking about how the hell you write legislation that measures a corporation's responsibility to a community.

All I am saying is I hope that even in good times some of the concerns that have come up by your presentation and others are still before us, if for no other reason than the world is changing and is changing in a hell of a hurry. The North American economy is just not in the great easy-growth period that it was. I doubt that is going to return; the 1950s and 1960s are gone. So there is an urgency because there are some people who have just been laid off or are faced with possible layoff. But the task of this committee for the most part is going to be ongoing even when things appear, as measured by unemployment and other numbers, to be less punitive.

Mr. Cureatz: We are going to be sitting forever?

Mr. Chairman: There will be people in this assembly, I would think, and in all levels of government in this country, in North America, who are going to have to change the way things have been happening because it is just not adequate. One of our tasks is to try to find a better way.

All I am trying to say is that we are not just here because of some bad closings which have been reported. Maybe that is the politics of this committee. I am not naive enough to think that that isn't a good part of it, but after February 5, when our report is out, the problem isn't going to go away, whatever we come out with.

Mr. Chairman: Gentlemen, on behalf of the committee, I appreciate very much the time you took to be with us and we will make certain you see a copy of our final report in early February.

The committee adjourned at 4:22 p.m.

